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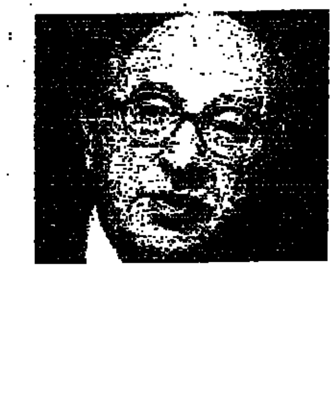


NEWSPAPER of THE YEAR

FINANCIAL TIMES

Monday July 6 1992 — EUROPE'S BUSINESS NEWSPAPER — D8523A

New Croat state could undermine UN peace moves

Nationalist Croat leaders in Bosnia-Hercegovina proclaimed an independent Croatian state in a move which could undermine international attempts to end the bloodshed in the former Yugoslav republic. The creation of the state, to be known as Herceg-Bosnia, is in line with a secret pact between Serbia and Croatia to divide Bosnia. Militant Serb leaders from Bosnia welcomed the proclamation. Page 12

Ercros seeks protection: Spain's largest chemicals company, Ercros, will today file for protection from its creditors, having failed to renegotiate its $2.15bn debts. Page 13

Agassi and Graf win Wimbledon

Andre Agassi (left) of the US defeated Goran Ivanisevic, the Croatian left-hander, in a five-set battle in the Wimbledon tennis final to win his first Grand Slam title. Agassi won 6-7 (8-10), 6-4, 6-4, 1-6, 6-4. The women's title went to Germany's Steffi Graf, who beat Monica Seles of Yugoslavia 6-2, 6-1 on Saturday. Page 5

Thailand scraps deal: Thailand has cancelled plans to build an elevated railway system to relieve traffic congestion in Bangkok. The $2.6bn project *was to have been built by a consortium led by* SNC-Lavalin of Canada. Page 4

Lloyd's group seeks changes: A group of leading agents at Lloyd's insurance market in London is seeking a change in management style following a row over the system being used to choose a chief executive. Britain in brief, Page 5

Central bank orders audit: India's central bank, the Reserve Bank of India, has ordered an audit of the treasury operations of the four foreign banks most heavily involved in the securities trading that precipitated the Bombay financial scandal. Page 12

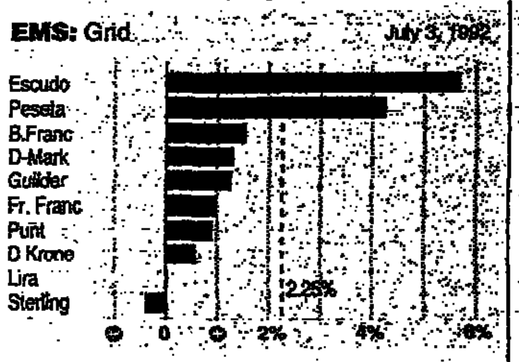
Chirac backs Maastricht: Jacques Chirac, leader of France's RPR Gaullist opposition party, ended weeks of uncertainty by declaring that he would vote for the Maastricht treaty on European union. Page 2

Czechs want motorway: The Czech Republic is seeking international bids to build a privately financed toll motorway between its capital, Prague, and Nuremburg in Germany. Page 2

Nigeria goes to polls: Nigeria's Social Democratic party, one of two army-imposed political parties, was poised to take control of a new National Assembly after the country's first parliamentary elections in nearly a decade of military rule. Page 4

European Monetary System: The lira dropped on Friday to 760.25 per D-Mark, which took it to within 5 lire of its floor against the German currency on the European Monetary System grid. It closed on Friday at 757.5 per D-Mark. Sterling was dragged down by the D-Mark's gain against the high-yielding currencies, to close at DM2.8950. Currencies, Page 25

EMS: Grid July 3, 1992



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

Bundesbank frees market: The Bundesbank is liberalising further the German capital markets by making it easier for foreign companies to issue commercial paper. From August 1, foreign companies will be able to make D-Mark commercial paper issues without having to set up a special German offshoot. Page 16

Algerian police murdered: Five Algerian policemen were shot dead near Boumerdes, 25 miles east of Algiers, on the final day of mourning for head of state Mohamed Boudiaf, assassinated a week ago.

Ecuador favourite: Sixto Duran Ballen, 70, a US-born conservative candidate promising free-market reforms, was tipped to win Ecuador's presidential run-off election as polls opened.

Pakistan demands the Koh-i-Noor: Pakistan is to renew demands to Britain for the return of the Koh-i-Noor diamond, which became one of the crown jewels when Britain annexed the Punjab in 1849. A request made during the 1970s was rejected.

It pays to stop smoking: Japanese companies are paying workers monthly bonuses of up to Y40,000 ($320) to stop smoking. Page 12

Fund chief's Moscow visit gives boost to Yeltsin ahead of G7 summit

IMF releases $1bn for Russia

By Leyla Boulton in Moscow and Peter Norman in Munich

THE International Monetary Fund has agreed to give Russia a first $1bn credit after a weekend visit to Moscow by Mr Michel Camdessus, the IMF's managing director. The meeting gave President Boris Yeltsin a political boost ahead of his meeting with leaders of the the Group of Seven industrialised nations.

After Mr Yeltsin publicly accused the IMF and Mr Camdessus of not knowing "the limits of the people's patience", the Russian government clinched an accord with IMF negotiators on a short-term economic stabilisation programme which is the condition for the release of the money.

Mr Camdessus, who flew into Moscow on Friday to speed up negotiations which had been dragging on for at least a week, will ask the IMF's executive board to disburse the funds at the beginning of August.

The agreement on the first tranche of the $4bn in IMF resources which Russia is liable to receive this year was concluded after often acrimonious negotiations in which much was at stake for both Moscow and the IMF on the eve of the G7 summit in Munich.

Although the terms of the accord were unclear last night, IMF requirements had included progress by Russia in dealing with more than Rbs1,000bn in accumulated debts owed by its enterprises to each other, and in co-ordinating economic policy with other republics which continue to use the rouble.

Mr Camdessus, who yesterday travelled on to Munich for the summit, which starts today, has come under considerable political pressure to show the IMF is sensitive to Russia's difficulties. Mr Yegor Gaidar, the acting Russian prime minister who has led market reforms, needs to show some concrete gains for public opinion from his aggressively "pro-western" stance.

Before meeting Mr Camdessus on Saturday, Mr Yeltsin expressed exasperation with the west's hesitation in unblocking a promised $24bn aid package until it is satisfied that the money will not be wasted.

"This is a normal credit and you cannot force us to our knees. Russia is a great country and it will not permit such a thing," he said.

Mr Yeltsin also said he would not leave his meeting with the G7 in Munich on Wednesday without obtaining a grace period of at least two years for repaying the former Soviet Union's foreign debt.

The G7 leaders in turn have made IMF support a condition for large-scale financial assistance of their own to Russia. They are considering a debt rescheduling package for Mr Yeltsin, but there

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French PM vows firm stand over road blockades

By William Dawkins in Paris

MR Pierre Bérégovoy, the French prime minister, yesterday vowed to hold firm against protesting lorry drivers who have brought chaos to French roads, as fruit farmers in the south added to the disruption by blocking rail lines from Lyons to the Mediterranean.

The farmers later lifted their blockades after Mr Bérégovoy called on the police to remove them to release the 10,000 passengers, mostly holidaymakers, stranded in railway stations and on trains in the Rhône-Alpes region over the weekend.

Fruit farmers were protesting over their inability to deliver produce because of the lorry drivers' strike, sparked by a proposed system under which drivers lose points for motoring offences and can be banned if they lose six.

The government opened talks with drivers' union representatives on Friday, but these broke down early the following morning and are to start again on Thursday.

Mr Bérégovoy said: "Like me, the truck drivers have a family who travel on the roads, children or grandchildren who cross the road to go to school. They must have the same concerns as I do. I say to them, one does not play games with life, one does not play with safety."

He has so far resisted using force against the lorry drivers, who were maintaining their blocks yesterday afternoon.

Sit-down protest: Farmers block the tracks at a train station in southern France with a bench and a pile of burning tyres

Reports on the state of French roads varied over the weekend, the start of summer holidays for millions of French and foreign families.

The economic cost has already affected the tourist industry at the beginning of what was to have been a record holiday season for France. The national hotel federation said 60 per cent of its members' expected customers had failed to turn up since July 1, and that the situation was "catastrophic".

Mr Karel van Miert, European transport commissioner, said: "This phenomenal development cannot go on any longer because it has reached the limits of congestion and of acceptability in public opinion."

According to the national road information service, traffic was flowing freely, but slowly, across most of France. It advised drivers to stay away from the main south-eastern corridor along the Rhône valley, through Lyons to the Mediterranean. However, the news agency AFP reported continued hold-ups in Aquitaine, the western Pyrenees, Rhône-Alpes, and Normandy, but the partial removal of road blocks on the motorway from Paris to Lille and Calais.

In the Gard area of southern France, farmers emptied three Belgian and Dutch lorries of their Spanish fruit and set the cases on fire while police watched.

The blocks, the most serious threat to public order since Mr Bérégovoy came to power in April, drew wide international criticism over the weekend because of the number of foreign motorists who have been delayed. Newspapers in Britain, Belgium, the Netherlands, Germany and Italy condemned both the lorry drivers and government inability to clear the roads, showing a sharper sense of outrage than the French press.

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Bérégovoy faces up to juggernaut, Page 2

Italy lifts discount rate to stabilise currency

By Haig Simonian in Milan

THE Bank of Italy yesterday raised the discount rate by a full percentage point to 13 per cent to stabilise the lira and fend off devaluation rumours, which triggered heavy speculative selling of the currency late on Friday.

The decision came just as an emergency cabinet meeting convened by Italy's new prime minister, Mr Giuliano Amato, proposed a series of cost-cutting and revenue-raising measures worth L30,000bn ($26bn) to tackle the huge budget deficit.

Details of the package, aimed at plugging this year's expected overshoot in government spending which is likely to send the deficit soaring to at least L160,000bn, will be finalised on Mr Amato's return from the Group of Seven summit in Munich later this week.

Central bank and government leaders will be waiting to see whether the steps are enough to convince foreign exchange and bond dealers that the new government is determined to maintain the lira's current parity and fight inflation. Speaking on his arrival in Munich, Mr Amato said "the measures are sure to have positive effects and get us back on the track from which we have strayed".

Mr Amato's government received a boost on Saturday after surviving a vote of confidence in the Chamber of Deputies, the lower house of parliament. Although failing to draw support from beyond the four parties in the previous coalition, the vote removed one of the many uncertainties surrounding the new government.

Among the range of measures proposed by the cabinet yesterday were a freeze on public sector prices and a plan to limit public sector wage rises. The government also called for more competition for public sector contracts. Other moves to be taken after Mr Amato's return from Germany could include a sharp increase in petrol duties and rises in other indirect taxes.

The Bank of Italy also widened

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Italian bond market, Page 19

S African leaders consider new offer on peace process

By Michael Holman in Johannesburg

A COMMONWEALTH offer to send a team of experts to help monitor violence and facilitate the peace process is being considered by South Africa's political leaders.

The initiative comes amid growing tension over the weekend as Mr Nelson Mandela, the African National Congress president, again angrily rejected President F.W. de Klerk's offer of a meeting. Further details also emerged of ANC plans for "mass action" designed to make the government capitulate to demands for majority rule.

The Commonwealth initiative was set in train during the visit to South Africa last week by Chief Emeka Anyaoku, the Commonwealth secretary-general, in the course of talks with Mr de Klerk, Chief Mangosuthu Buthelezi, leader of the Inkatha Freedom party, and Mr Mandela.

It envisages a group of eminent Commonwealth figures, backed by a small number of senior military and police advisers, helping to reinforce the country's existing National Peace Accord, assist in any new measures designed to curb violence, while also having a potential role as intermediaries.

The NPA, signed last September by 29 organisations including the government, ANC and Inkatha, already offers a framework for the resolution of political violence – provided it is backed by the political will, hitherto lacking.

Among other measures, it provides for a network of regional and local "dispute resolution committees" with which a Commonwealth team could liaise. Chief Anyaoku has been in contact with the NPA secretary, Mr John Hall.

The initiative also seizes on an apparent opening contained in Mr de Klerk's memorandum to Mr Mandela last Thursday, a response to the ANC leader's own document explaining why constitutional talks had been suspended. Mr de Klerk suggested a meeting at which the agenda would include "the advisability of a joint monitoring body through which the three parties could act to defuse and solve problems that could give rise to violence".

In what is seen by western diplomats, as a key sentence, the memorandum went on: "The role of the international community in an observer capacity could be considered, especially in relation to this item."

South Africa's leaders are now studying a document outlining the Commonwealth proposal, which Chief Anyaoku discussed with Commonwealth ambassadors on Friday.

Diplomats who attended the briefing confirmed that a Commonwealth effort to break South Africa's political deadlock was under way, but were cautious about prospects for success.

Chief Anyaoku said on his departure for Nairobi from Johannesburg yesterday that "stalled negotiations need to be reactivated in an appropriate way and the stumbling blocks addressed quickly by all concerned", but did not elaborate.

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Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
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Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
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Trade likely to be among the issues figuring in G7 talks starting today in Munich

Major hoping for early Gatt deal

By Peter Norman in Munich and David Dodwell in London

MR JOHN MAJOR, the UK prime minister, said at the weekend that the countries negotiating the Uruguay Round of trade liberalisation talks were "sufficiently close to an agreement to make a real effort to get one, and get one without delay".

Speaking after Saturday's EC-Japanese summit in London, and in the run-up to this week's Group of Seven talks in Munich, he said that reaching a conclusion to the General Agreement on Tariffs and Trade round as soon as possible was "an imperative" for political, economic and humanitarian reasons.

He said there were still difficulties to be overcome. But there was a collective agreement at Saturday's talks, attended by Mr Kiichi Miyazawa, the Japanese prime minister, and Mr Jacques Delors, the EC commission president, that a satisfactory outcome should be pursued "as speedily as possible".

Mr Major said he expected the problems of the trade round would be discussed in Munich, where the G7 leaders today open their annual economic summit. However, he said the issue might be addressed in bilateral meetings rather than at the main summit of the leading industrial countries.

Efforts were being made yesterday for Mr Delors to meet President George Bush tomorrow.

Mr Major's assertions raise the danger of seriously embarrassing the G7 if no headway is made in Munich. G7 leaders have called for urgent settlement of the Uruguay Round at two previous summits, to no effect.

Mr Major said there was no doubt that a Gatt agreement would be a "significant stimulus" to world trade at a time when it was flagging, unemployment was rising in many countries and growth was falling. Britain also wanted an agreement because it would be of particular help for developing countries.

The Japanese mission, led by Mr Miyazawa, had visited Washington before arriving in London to demonstrate close ties with the US.

At the London meeting between leaders from the EC and Japan, Mr Delors suggested the two should set up an expert group to analyse the cause of Japan's trade surplus, which has re-emerged as a source of tension since it rose to a record $27.4bn (£14.3bn) in the 1991 fiscal year. Mr Miyazawa said he wanted to look at details of the proposal further, but would want such a group to examine discrimination measures targeted at Japan by some European countries.

Of specific concern were quantitative restraints on a total of 49 Japanese exports – ranging from cars and motor cycles to pineapples and light bulbs – imposed by countries such as France, Italy, Spain, Portugal and Greece.

Both sides "recognised the need for further efforts by Japan and the Community and its member states to increase EC exports to Japan".

Mr Miyazawa admitted that the Japanese economy was "slowing down rather substantially". But the Japanese government was prepared to inject further resources if necessary. If the present policy of bringing forward state spending in this year's budget failed to rally the economy it would consider "additional fiscal measures" in the form of a supplementary budget in the autumn.

This would include more public work investments and help for small and medium-sized businesses, he said.

Mr Major said he had asked the Japanese prime minister whether Japan's 3.5 per cent annual growth target for the next five years was practical. He said Mr Miyazawa told him that he was confident that the target could be met over five years.

This was "extremely good news", Mr Major said.

A communiqué issued after Saturday's talks said the EC and Japan "agreed to continue to consult closely on the economic relationship in order to find appropriate solutions". The statement also "emphasised the importance of industrial co-operation" between the EC and Japan.

The discussions between Japan and the EC also dealt with the former Yugoslav republics, China, Cambodia, the Middle East peace process and the non-proliferation of weapons of mass destruction.

Workers raise the US flag in Munich in preparation for the G7 annual economic summit

Munich finds G7 summit a heady brew

By Quentin Peel

MR Horst Köhler, state secretary in Germany's finance ministry, and Chancellor Helmut Kohl's seemingly indefatigable *sherpa* for the world economic summit, is adamant it is not all pre-cooked.

It is certainly not for want of trying.

He has spent months frantically shuttling between the capitals of the G7 states, and Moscow, to ensure nothing goes wrong on the day.

His other great aim, on the Chancellor's instructions, has been to try to restore the summit's old style of a cosy fireside chat. He has succeeded in cancelling a whole plenary session – when all the accompanying retinue of foreign, finance and trade ministers try to get in on the act – in favour of four hours' more debate among the great men.

But tell the good citizens of Munich that the whole exercise is about an intimate and unpredictable conversation, and you get nothing but a hollow laugh. For the capital of the proud Free State of Bavaria has been thrown into turmoil for weeks because of the preplanned razzamatazz, and the citizens are feeling sore.

There is no sign of slackening in the circus – half security overkill, half media madness – which traditionally surrounds the event. Only here it has been compounded by the absolute determination of the Bavarian government to ensure everyone enjoys it in style.

For a start some 8,600 policemen and women have been drafted in to ensure security. Don't try to ask them the way.

"I'm sorry, I've just come from Thuringia," said a confused young man from the former East Germany. It's a good sign of the times. If he was a policeman under the old regime, he probably would not have apologised first.

They've cordoned off most of the city centre for the three-day event, threatening traffic chaos when shop workers return. And people who live in apartments overlooking the Residenz palace and Hofgarten where the summit takes place have been forced to buy passes for DM18 (£6.20) apiece to get in and out of their own homes – at least according to Bavarian TV.

There's no doubt the media comprise most of the madness. Around the famous Wittelsbach palace everything is festooned with the electronic wiring and gadgetry which demonstrates that communication is what it's all about. The corridors of the palace are filled with assault teams of bright-pink blazered ladies from Deutsche Telekom, advertising every intricacy of Germany's idiosyncratic telephone system, which seems scarcely compatible with most of the imported US and Japanese equipment. Cursing correspondents tear their hair.

As for the world leaders' ladies, they get their own programme, which makes no concessions to equal rights: lunch with Frau Hannelore Kohl (in the appropriately named Englischer Garten, sightseeing, Bizet's Carmen at the Opera, more sightseeing (the fairy-tale castles of Hohenschwangau and Neuschwanstein), a fashion show and a porcelain factory. All very feminine.

Belgian defence cuts upset Nato

NATO and the Belgian chief of staff have made highly unusual appeals to the government over its plans for huge defence cuts which include an end to conscription, according to a television report, Reuters reports from Brussels.

Belgium's centre-left government said on Friday it would end military conscription by 1994, which will roughly halve the 86,000-strong armed forces. Defence spending would also stay below current levels for at least five years.

BRT television reported on Saturday that the country's chief of staff, General Jose Charlier, had written to the government complaining that the plan was unworkable and that it would be impossible to maintain Nato commitments.

It also said Nato secretary-general Manfred Wörner had asked Belgian Prime Minister Jean-Luc Dehaene to reconsider the plans. No comment was immediately available from Nato, which has its headquarters on the outskirts of Brussels.

Mr Dehaene's spokeswoman refused to comment on whether there had been any appeals but said the government would not reconsider its decisions on reshaping the military. "The government's decision is clear," she said.

Belgium badly needs the savings brought by the "peace dividend" after the end of the cold war to cut its crippling budget deficit.

Defence Minister Leo Delcroix told a news conference on Friday Belgium would not let its Nato partners down or renege on other commitments, such as taking part in UN missions.

Belgium had some 22,000 troops stationed with other allied forces in western Germany during the cold war. It plans to bring all but a brigade of 4,000 home by 1995, reflecting similar moves by some other western allies.

Sikorsky bids for Dutch deal

SIKORSKY Aircraft, the helicopter maker which is a subsidiary of US defence group United Technologies, has bid for a potentially large contract to build sea-air rescue helicopters for the Dutch government, Patrick Harverson writes from New York.

The Dutch Defence Ministry confirmed on Friday that Sikorsky had presented a bid for three helicopters, the initial phase of a $1.75bn (£916m) programme to replace all 86 military helicopters flown by Dutch forces.

Slovak ire seals Havel's fate

By Ariane Genillard in Prague

THE failure of President Vaclav Havel – one of the last advocates of a unified Czech and Slovak Federation – to be re-elected to the presidency has put another nail in the coffin of the fragile 74-year-old federation.

In a casual atmosphere, members of the federal parliament took just one hour on Friday to remove Mr Havel from office. On the Slovak side of the parliament, a handful of MPs managed to block the re-election of a man whose popularity and international prestige are the envy of many world statesmen.

Mr Havel's position was compromised by the June 5 elections which brought Slovak nationalists to power in the smaller Slovak republic.

Mr Vladimir Meciar, the leader of the Movement for a Democratic Slovakia and the current Slovak premier, then pledged to oust the man who called on voters not to support "demagoguery", a thinly veiled reference to Mr Meciar's populist campaign.

In the wake of the collapse of communism, Slovaks slowly began asserting their identity and increased their calls on the federal authorities in Prague for greater economic and political autonomy. By removing Mr Havel from office, Slovak nationalists vented their frustrations at the man who became the symbol of Prague's inability to respond to their demands.

Mr Havel continued to believe in consensus. A moralist who wanted to remain above daily politics, he saw his beliefs dashed by the growing antagonism between Czechs and Slovaks.

Limited by a 1968 constitution which gives little power to the presidency, he warned well ahead of other politicians of a political development which he was unable to influence and which today threatens to split his country.

There may be another Czechoslovak president, as the federal parliament will vote on yet unknown candidates in the next three months.

If he is not replaced by October 5, Mr Havel is due to hand over his powers to the parliament and the federal government.

But the new federal president, if there is one, might be only a ceremonial figure with little political impact, unlike Mr Havel, who still enjoys wide popularity in the Czech republic.

Czechs plan private toll motorway

By Richard Tomkins, Transport Correspondent

THE Czech Republic looks set to become one of the first countries in the former eastern bloc to open a privately financed toll motorway.

It has invited 22 international groups to submit preliminary bids for building and operating an 83km stretch of the planned east-west motorway between Prague, the Czech capital, and Nuremberg in Germany.

The 22 were chosen from more than 70 expressing an interest in the project. Kleinwort Benson, the British merchant bank advising the Czech Republic, said the list read "like a who's who of the international contracting industry".

Construction of the motorway is expected to cost more than Ecu350m (£247m). In addition, the winning bidder will be required to fund the project, so incurring finance costs.

The Czech Republic is only the second former eastern bloc country to plan a privately-financed toll road. The first was Hungary, which last year announced plans for two sections of toll road costing an estimated £100m to build. Hungary, however, has not yet selected a bidder for the contract.

Like other former eastern bloc countries, Hungary and the Czech Republic face heavy demands on their road systems because of rising levels of car ownership and growing east-west trade.

Lacking sufficient funds to build the necessary motorways themselves, they are turning to the private sector to finance, build and operate them instead.

The Czech toll motorway will consist of an upgrading of the existing D5 road between Rozvadov on the Czech-German border and Plzen, roughly halfway between the border and Prague.

The rest of the D5, which is being upgraded by the state, will remain toll-free.

Construction of the motorway is due to start next year, with completion in 1996. The private sector will be given a concession to operate the toll road for a pre-determined period, after which it will revert to the state.

The Czechs planned to offer concessions for a further 400km of private toll motorway if the initial project succeeds.

Trial of Communist party set to end in compromise

By Leyla Boulton in Moscow

HOW much and yet how little life has changed in Russia is illustrated by the fact that tomorrow the Communist party which ruled the country for 74 years will go on trial, while former party chief Mikhail Gorbachev is accusing President Boris Yeltsin of heading towards dictatorship.

Although the party's fate shows just how much has changed, Mr Gorbachev must remember the winter of 1990, when he embarked on the conservative U-turn which ultimately cost him his job and broke up the Soviet Union. In recent weeks Mr Yeltsin has made similar alliances with conservatives in industry and the military.

The sense of *déjà vu* was reinforced, when Mr Andrei Kozyrev, the Russian foreign minister, warned on Tuesday of the danger of an "anti-democratic coup", as Mr Eduard Shevardnadze, his Soviet predecessor, had done before him. Mr Kozyrev even went so far as to warn that Mr Gorbachev's fate could befall Mr Yeltsin if "we begin to make concessions to these forces".

But other Yeltsin supporters say the parallels are superficial. The main issue now is not whether to proceed with political and economic reforms, as was the case two years ago, but how to strengthen the government's hand so it can continue the reforms.

Further, they argue, Mr Yeltsin's direct popular mandate and the fact that market reforms are already under way put him in a much stronger position than Mr Gorbachev, an unelected leader who fell back on the traditional pillars of the party and KGB to stay in power. Then, Mr Gorbachev gave in to the blackmail of military and industrial hardliners rather than risk launching fast-track market reforms.

Now, Mr Yeltsin has to deal with industrial managers who have so far refused to respond to the government's financial austerity measures: instead of sacking workers, they have continued to trade with each other without demanding payment. They and the new industrial managers who have joined the government argue that the country is not ready to absorb large-scale unemployment, that production cannot be allowed to fall any further, and that popular discontent could explode overnight if further hardships are heaped on to the back of price rises.

On Wednesday, Mr Yeltsin, who says a coup is impossible but he needs the support of industrial managers to achieve reforms, will put the case to G7 leaders in Munich that he also needs western cash to succeed.

Finally, Mr Yeltsin has been seeking the support of military conservatives. In particular, he needs to keep under control Russian forces in now independent republics where they risk being sucked into local conflicts and siding with Russian minorities whom, in the case of Moldova, Mr Kozyrev described as "extremists".

This, at least, is the explanation given by Yeltsin supporters, and some western diplomats, for his decision to appoint as deputy defence minister a man like General Boris Gromov. An Afghan war hero, Gen Gromov was deputy to Mr Boris Pugo, the hardline Soviet interior minister who shot himself after the failure of the August coup.

The verdict of the Constitutional Court, which tomorrow is to decide on the legitimacy of Mr Yeltsin's ban of the Communist party, is itself likely to be a compromise in the name of political stability. Although the constitutional grounds for it are shaky, it is unlikely that the court will overturn the ban.

This is because neo-communist groups have been active in fanning nationalist and anti-reform passions and because the Communist party was indeed a dangerous machine that needed to be abolished – and not least of course because a verdict against Mr Yeltsin would cause immense damage to his authority.

In the absence of a better bet than Mr Yeltsin to continue the reforms, the world can only take his word for it that he needs all the help he can get.

Bérégovoy faces up to juggernaut

Pressure is growing on French PM to act against blockades, reports **William Dawkins**

THE week-long national road blockade by French truckers is by far the toughest challenge yet to Mr Pierre Bérégovoy in the three months since he became prime minister.

Yet the protests, against a new law under which drivers lose their licences if they clock up six penalty points, are only the latest threat to public order in recent months after the disruption of ports by a dockers' strike and road blockages mounted by farmers in protest at European agricultural reforms.

Opposition leaders have accused the Socialist government of losing control of law and order. The situation is "intolerable" and risked creating a "breach of social cohesion", said Mr Charles Millon, parliamentary president of the centre-right UDF and head of the regional council in Rhône-Alpes, one of the areas worst hit.

Other opposition leaders called on the government to resume negotiations with the truckers, which broke down on Friday night.

Mr Bérégovoy yesterday took a firm stance. "There are truck drivers who think that blocking roads will make the government give way. The government will not give way," he told the Journal du Dimanche newspaper. The government had done its best to negotiate and the new rules, which came into effect on July 1, would be applied, he said.

All this indicates that the government and the truckers are set for a head-on collision. Nobody in France is forecasting a clash on the scale of 1968. Yet today's chaos does have two things in common with the student riots of that time: a surge of anarchy from the grass roots and a breakdown of communications between the state and ordinary people.

A streak of anarchy, or at least disillusion with the political establishment, has been developing for some time. It was seen in the large protest vote in the March regional election.

It can also be seen in the way in which farmers' demonstrations are organised by a recently formed splinter group, rather than by mainstream agricultural unions. The farmers are protesting not only against the government, but against their own establishment as well.

The truckers are the same, in that their action appears to have started as a spontaneous outburst by disparate groups. Indeed, no union claimed formally to represent them in the first few days of the blockage. It was only when the government called truckers' representatives to attend negotiations on Friday night, that a gaggle of five unions took part in what turned out to be an indecisive meeting.

It might seem surprising that a fragmented group can mount such an effective nationwide road block. This might be because a number of truckers are former farmers and still have support from that sector. Fruit farmers, angered that they were unable to deliver produce, set uo their own protest over the weekend, blocking railway lines in the south of France and holding up 10,000 travellers. Some observers have suggested that the extreme right-wing National Front might be lending a hand, though there is no evidence of this.

Government ineptness has also played a part. As an indication of the inadequacy of its communications with ordinary people, today's fuss is about a law which was voted through parliament three years ago. That it has taken the drivers by surprise also points to the fragmented and poorly organised nature of the truckers' unions.

Yet the fact remains that many French people are – at least for now – half on the truckers' side. According to a poll in the Parisien newspaper last week, 60 per cent of people approve of the protests, even if 62 per cent also said they thought the penalty point system would improve road safety.

Yet the government jeopardised support for the plan by applying it clumsily. The new rules came into effect just before millions of French families were due to leave for their holidays and as France began receiving large numbers of foreign tourists.

In other ways, today's discontent is unlike 1968. Then, France was in a period of economic prosperity. Today the economy is growing only slowly. This suggests that truckers, already hit by declining wages and a fall in demand, will have few savings to support a long walkout.

Another difference is that events in 1968 were mainly a domestic problem. France's position at the heart of western Europe, at a time when cross-border traffic has grown fast, means the truckers today have created an international headache.

The big question is what the government does now. Mr Bérégovoy cannot afford to let the crisis worsen. The opposition has already started to question the government's credibility. Moreover, Mr Bérégovoy has only just delayed all contentious legislation in parliament so as to ensure a peaceful public debate on the Maastricht treaty on European union, due for a referendum on September 20. Clearly, that strategy has gone badly wrong.

Yet the government cannot be seen to give in. The chances are that it will wait for public anger against the truckers to build up enough for it to be able to use force without creating an outcry.

Despite the recent polls, the truckers are on the way to attracting real anger in France. Four people died in road accidents over the weekend, provoked to various degrees by the blockages, and some supermarkets say they are short of fresh food. The pressure for action is building up.

Editorial Comment, Page 12

Chirac falls in behind Maastricht

By William Dawkins in Paris

MR Jacques Chirac, leader of France's RPR Gaullist opposition party, has ended weeks of uncertainty by declaring that he will vote for the Maastricht treaty on European union.

His decision, announced at a party meeting on Saturday, puts Mr Chirac in a minority in his own party. In an attempt to reduce divisions, Mr Chirac told RPR members they were free to vote as they liked in the September 20 referendum on Maastricht. "I do not want an isolated France and a divided Europe," he added.

President François Mitterrand's decision to call the referendum has split the RPR between a pro-European leadership and a nationalist majority led by Mr Charles Pasqua. For a while, Mr Chirac said he was unable to come to a view and needed time to consider.

Opinion polls suggest a majority will vote for Maastricht, so it would be unwise to campaign on anti-EC policies. According to a poll in Journal du Dimanche, 58 per cent will vote to ratify the treaty and 42 per cent against.

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Poles back Bush on trip to Warsaw

By Jurek Martin in Warsaw

PRESIDENT GEORGE BUSH came to Warsaw yesterday to bury one long-dead Polish prime minister and receive the unstinting praise of its current president. His five-hour foray into Warsaw, en route to the G7 summit in Munich, was perhaps conceived as much with domestic politics as diplomacy in mind.

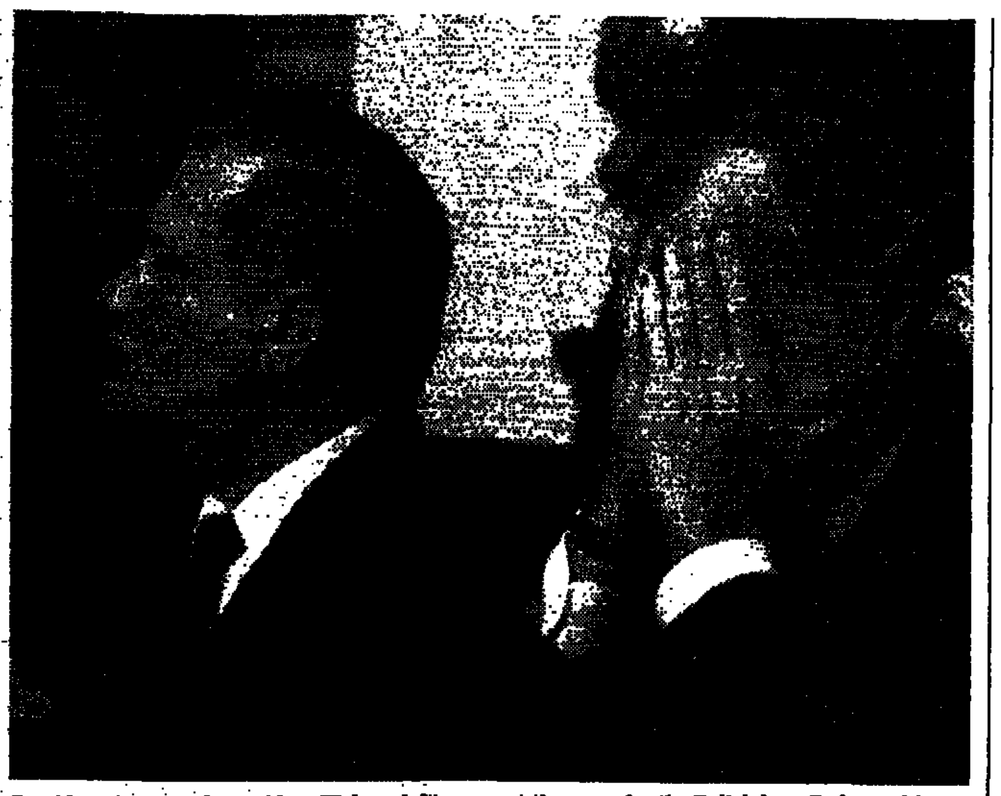
There are an estimated 12m Polish Americans. It therefore did Mr Bush no harm to have President Lech Walesa say, albeit undiplomatically, that if he were an American he would vote for Mr Bush in November. Mr Walesa is, after all, probably more revered in the US than he is at present in Poland.

Nor could there be any doubt that the sizeable crowd in Castle Square appreciated Mr Bush's gesture in personally bringing back home the ashes of Ignacy Paderewski, the pianist who symbolised the cause of Polish independence in the dark days at the start of the second world war.

Paderewski's remains had lain in Arlington National Cemetery outside Washington at the behest of President Franklin Roosevelt "until Poland would be free". That day, Mr Bush proclaimed yesterday, had now come.

There was some substance amid the symbolism of the president's mission. The US would, he announced, allocate its unused \$200m contribution to Poland's currency stabilisation fund to other uses "once Poland is back on track with the IMF". This sum might be used, he said, to help finance Polish exports or the capitalisation of banks to support new businesses. He promised to press the cause of aid to Poland at the summit.

But mostly his purpose, as outlined in a speech after the Paderewski funeral mass, was to link Poland with "the American dream," past and present. Traditionally, Polish Americans, in the big cities such as Chicago, Milwaukee, Cleveland and New York, have been working-class Democrats.



President Bush (with President Walesa, left) prays at the mass for the Polish hero Paderewski

President Ronald Reagan made inroads into this opposition stronghold by inveighing against the "evil empire" that was the Soviet Union. Mr Bush needs to hold on to these gains. So, in bringing home the ashes of a Polish patriot, he was campaigning as effectively as he would in the union halls and bars of the mid-west. The applause and chants of his name wafting over Castle Square yesterday afternoon far exceeded in their warmth and spontaneity anything he can expect back home.

● Mr Bush's visit to Warsaw offered a fleeting break for Poland's politicians, busy with their long search for a government with a stable parliamentary majority, Christopher Bobinski adds from Warsaw. At the weekend seven parties agreed to back Ms Hanna Suchocka, 46, a lawyer from the pro-market Democratic Union, for prime minister. Mr Walesa has to approve the choice, which marks the end of efforts by Mr Waldemar Pawlak, head of the PSL farmers' party, to form a government.

New poll boost for anti-Ozal campaign

By John Murray Brown in Istanbul

THE Turkish government's election pledge to oust President Turgut Ozal has been given a new boost with publication of an opinion poll yesterday, suggesting 59 per cent of Turks believe he should be removed from office.

The poll is the latest indication of growing popular discontent with political interference by the president. It follows Mr Ozal's repeated use of his veto over legislation and bureaucratic appointments, and a public row over who should sign the Black Sea Economic Co-operation pact.

The leadership row has been simmering for months since Mr Suleyman Demirel, prime minister, promised to oust Mr Ozal, who in 1989 used his party's parliamentary majority to have himself elected president. Both opposition parties boycotted the vote.

Mr Demirel would need a two-thirds parliamentary majority to change the constitution, the only legal way, barring impeachment, to force the president to step down.

Turkish economy shows signs of growing malaise

By John Murray Brown in Istanbul

AN Istanbul district court in an unprecedented ruling recently granted alimony to the wife of a well-known businessman in US dollars.

Loss of public confidence in the Turkish lira is the latest symptom of the growing malaise afflicting Turkey's economy, as Mr Suleyman Demirel's government fights to reduce inflation and contain the public deficit.

This week, the government faces the first test of its commitment to fiscal austerity when it sets civil servants' salaries. The budget allows for a 13 per cent increase. But Mr Erdal Inonu, deputy premier, said the six-month rise should be in line with inflation, running, on an annual basis, at about 70 per cent.

Over the next few weeks, farm-support prices will be announced and wage negotiations start with the big public-sector unions. However, the outlook is not altogether gloomy. First-quarter economic growth was over 6 per cent, against under 1 per cent in 1991. Average public debt maturities on government paper have increased from eight months to 19 months, easing the government's interest burden.

But money supply has shown a worrying rise, with the treasury resorting to short-term central bank credits. If a bill awaiting presidential signature becomes law, the government will be able to borrow beyond the legal ceiling of 15 per cent of the budget. Ms Tansu Ciller, chief economics minister, has repeated her pledge to cut inflation to 42 per cent by year-end. But many economists believe triple-digit inflation is possible, unless the government brings in a major stabilisation strategy. Interest rates are holding up obstinately, and corporate borrowers are paying over 100 per cent for working capital.

Turkey's foreign exchange position should improve this summer, with remittances from abroad and tourism. But with unions set for a new wage round, and farmers seeking generous subsidies, monetary growth is likely to renew pressure on the lira.

A piece of the American dream comes to Poland

Levi's plant was fought over like its jeans, says **Guy de Jonquières**

THE EUROPEAN MARKET

ON THE outskirts of Plotsk, a dreary town of 110,000 people 70 miles north-west of Warsaw, a brightly painted Levi Strauss plant is bringing a piece of the American Dream to Poland – at a price equal to a third of the country's average monthly wage. Yet to judge by the long queues outside Levi's store in the centre of Warsaw, there is no shortage of customers ready to pay. Indeed, the store has the biggest sales for its size of any Levi's outlet in Europe.

Though Levi's products were a scarce commodity under communism, its brand has long been one of the best known in central Europe. Says Mr Claude Flauraud, general manager of Levi Strauss Poland: "The one thing we were sure of was that we had a willing consumer."

What Levi's did not know when it decided 18 months ago to manufacture in Poland was that its plant would be fought over as fiercely as its jeans.

The company wanted to produce locally, both to take advantage of Poland's low costs and to avoid import duties. When it advertised for a greenfield site, it drew more than 100 replies. The initial choice was Lodz, a textile centre west of Warsaw.

Then a group of politicians and municipal officials in Plotsk came up with a more attractive deal on an empty 10,000 sq m warehouse complex. "They really wanted us to go there, while the people in Lodz didn't get their act together," says Mr Flauraud.

When Levi's accepted, Lodz hit back with a salvo of angry propaganda, which grew into a war of words between the two cities during last year's spring election campaign. "It was rather embarrassing for the company," says Mr Flauraud, a 39-year-old Swiss.

Since then, events have moved at dazzling speed, partly because of the help of Plotsk authorities in cutting through red tape locally and in Warsaw. Local contractors took four months to fit out the warehouse, and last December the machinery started going in. In March the first pair of jeans rolled off the line.

Recruiting the 230, mostly female, staff was no problem in a city with rapidly rising unemployment. Each receives up to six months on-the-job training from locally hired supervisors, who had been trained for several weeks at a Levi's plant in Hungary. There are five full-time expatriate managers in Plotsk.

"At first, all the employees were holding their breath to see what would happen," says Mr Bill McNee, Levi's operations manager. "They were very suspicious that once they reached their production targets, we would raise the targets or cut their pay." But only three of the original recruits have left.

At 2m Zlotys (\$148) a month plus bonuses for a 40-hour week, average pay is relatively high for Poland, though well below western levels. But wages account for only about 15 per cent of total costs at the plant, as highly automated as any in the world. Absenteeism is negligible, and reject rates are near western levels. "You could be in a Levi's plant anywhere," says Mr McNee.

The biggest problem is importing cloth, supplied to all Levi plants worldwide from one US textile mill. Mr Flauraud complains bitterly of long delays and inefficiency at Polish customs, which mean the plant has to carry twice the normal stock levels.

Production is expected to reach 1.5m pairs of jeans annually by the end of this year and 3m two years later. But Levi's recognises that, at a retail price of \$50 for a pair of 501s, that is far more than Poland can absorb. For some time to come, over half of the production will be exported to the EC, which has already guaranteed access. Exports will also provide a currency hedge for Levi's total planned investments in Poland of \$20m over four years.

> Absenteeism is negligible. 'You could be in a Levi's plant anywhere,' says the operations manager

Compared with setting up production, local distribution has been much more difficult. Levi's jeans had been sold since the 1970s through state-owned hard-currency outlets. But their dingy facilities were light years away from the smart, up-beat environment in which the company likes its products to be displayed.

The problem has been to find a replacement. After looking in vain for suitable retail partners, the company decided to distribute through its own branded stores. Since April, it has opened eight and plans four more by the end of July.

Poland is the only country where Levi's owns its outlets, which everywhere else are franchised. Few Poles can afford the \$200,000 needed to set up a franchised store, though the company recently signed its first agreement with a franchisee. Even going it alone has been a struggle. Levi has three staff members permanently hunting for sites, a process which can take six months.

Mr Flauraud, who is also Levi's business development director for eastern and central Europe, has travelled widely in the region since 1979. But this is the first time he has been responsible for setting up a plant and managing a national business. He reckons the experience will stand him in good stead when he is called on to spearhead the next stage of Levi's drive east – the revival of stalled plans to build a plant in the former Soviet Union.

Thai elevated railway deal is scrapped

By Victor Mallet in Bangkok

THE THAI authorities have cancelled an agreement with a consortium led by SNC-Lavalin of Canada to build a $2.6bn elevated railway system known as Skytrain, one of a series of mass transit projects designed to alleviate traffic congestion in Bangkok.

In Montreal at the weekend, the SNC group confirmed that the Expressway and Rapid Transit Authority of Thailand (ETA) had declared void an agreement signed in February to build the Skytrain, but it said SNC-Lavalin would continue negotiations with the ETA in an attempt to reach satisfactory terms and continue with the project.

The Skytrain is the oldest of three planned elevated railway systems for Bangkok and the idea dates back 17 years.

Construction for the other two projects – a $3.2bn combination of property development, roads and rail lines being undertaken by Hopewell of Hong Kong, and a $700m elevated rail system proposed by local property developer Tanayong – is expected to begin soon, according to the heads of the two companies.

ETA officials in Bangkok said the SNC-Lavalin consortium had failed to meet a June 22 deadline for the various proposed Skytrain investors to sign an agreement on subscriptions to the project's $400m equity. They also complained that SNC-Lavalin wanted to renegotiate the February contract to include new guarantees for the investors.

Members of the SNC-Lavalin consortium in Bangkok declined to comment directly on the ETA's decision, but one executive suggested that opponents of Skytrain were claiming that the system would not have enough capacity to meet demand.

"It's the perception of people on what light rail is and what heavy rail is," he said. "The vehicles are light but the capacity is heavy."

SNC-Lavalin apparently faces more fundamental problems, however, including the difficulty of raising loans for the project after the political violence in Thailand in May, and the reluctance of some members of the consortium to subscribe to their proposed equity shares.

Other unresolved issues include the conflicts where the three mass transit intersect – requiring contract changes – and route duplications which could make the systems less profitable. Each system was approved by a different government agency.

Thai newspapers said at the weekend that the government of Mr Anand Panyarachun, the interim prime minister, was likely to make a final decision on the matter at a cabinet meeting tomorrow.. The government could call for new bids on the Skytrain project.

Patten will aim to leave legacy of substance

Hong Kong's next governor must satisfy the needs of democracy and China, writes Simon Holberton

WHEN Mr Chris Patten, Hong Kong's governor-designate, arrives to take up his pro-consular duties on Thursday he will face a set of political problems to which there are no easy or obvious solutions.

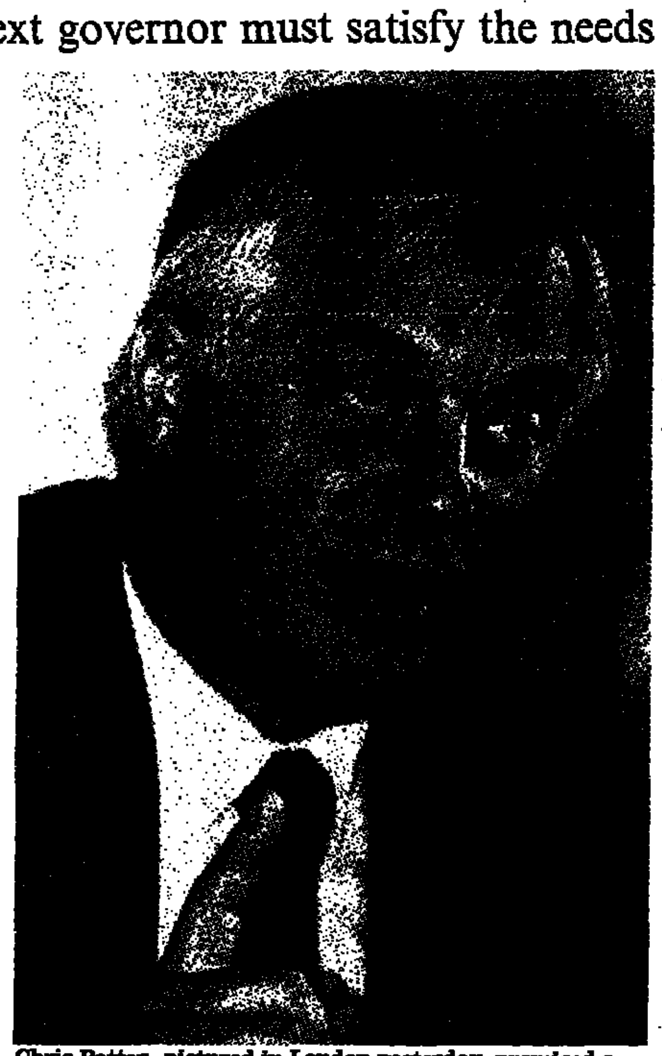
Politics in Hong Kong is currently in a state of flux. Old certainties have dissolved and new allegiances are in the making. In a political environment where consensus once determined decision-making, there is now division, debate and acrimony.

The focal point of this schism is China; its arena the local legislature in Hong Kong.

Five years from the transfer of sovereignty, Hong Kong has still not come to terms with its fate. Among ordinary Chinese, and most ethnic Chinese politicians, there is a profound sense of ambivalence about the transfer.

They are torn between ties of ethnicity – a belief that they belong to the great Chinese civilisation and that Hong Kong is a part of China – and apprehension about being absorbed into a totalitarian state where the rule of man, not law, will decide their fate.

One of the central elements of this dilemma is the pace of progress towards democracy in the colony. Some see accommodation with China as the best way of safeguarding Hong Kong's future; others contend that greater democracy is the only way to providelasting protection.



Chris Patten, pictured in London yesterday, promised a "candid and constructive" relationship with Peking

The resolution of these emotional and political tensions, or at least their mitigation, is seen as the main task of Mr Patten's governorship. When he leaves Hong Kong for good on July 1, 1997, he will have achieved a considerable political triumph if the people of Hong Kong are confident that the prosperity they enjoy and the open society in which they live will survive.

But Mr Patten will find that the instruments of power at his disposal provide no sure way of achieving this. He will have to use his much-vaunted political skills to pull it off.

He inherits what many in the colonial government describe as a "cockeyed" political structure. On paper, the governor is a powerful person.

He is advised by a 13-member Executive Council, or cabinet – nine of whom were appointed by his predecessor, Lord Wilson, and four of whom sit by right of their position in the administration. Behind him is a 180,000-strong civil service.

But, paradoxically, his power is limited. He presents his legislation to an assembly which has the power to reject or amend it, especially his spending plans. And, worryingly in this age of partially elective democracy, he is a government without a party.

The legislature numbers among its 60 members 18 who were popularly elected and rally to the "liberal" cause, 21 who were elected to represent mainly conservative interest groups via functional constituencies, 18 mainly conservative men and women appointed by Lord Wilson, and three ex officio members of the administration.

Since the colony's first partially democratic elections last September, the legislature has further developed into a place which commands the public's attention for its new-found assertiveness.

But those whom Lord Wilson appointed in the hope of having a legislative majority – conservative plutocrats who have joined in a loose confederation known as the Co-operative Resources Centre (CRC) – have, by a recent embrace of Beijing, shown signs of divided loyalty. This is even more embarrassing for Mr Patten since four of the CRC appointees to the legislature were also appointed to the cabinet.

The CRC has found it increasingly difficult to stand with the government. It wavered in March over the budget and had to be hauled into line. More recently it broke ranks over the financing of the airport railway – one of the core projects for the colony's new airport development – in a move which at best gave aid and comfort to Beijing and which at worst undermined the negotiating stance of the government.

On the other side of the legislature is the United Democrats led by Mr Martin Lee. It functions as a disciplined political party. But, because of the inability of Lord Wilson and Mr Lee to agree terms over the latter's participation in the cabinet, the Democrats have adopted the role of an opposition.

One of Mr Patten's early tests will be how he deals with them. An option is to bring them into the cabinet. But it is by no means certain that switching from the CRC to the Democrats will provide him with a reliable majority in the legislature or a cabinet that can agree on policy towards China. Unlike the CRC, Mr Lee's Democrats continue to argue for more directly elected seats to the legislature – a policy China steadfastly refuses to contemplate.

Also Mr Patten risks an early row with China if he invites Mr Lee to join the cabinet. Beijing has raised the stakes by implicitly accusing Mr Lee of being a "subversive" and publicising its opposition to his, or his colleagues', cabinet membership. Not to appoint Democrats, however, risks the accusation of "kowtowing" to Beijing, an accusation which dogged his predecessor.

There are, however, more than one means to the end of good government. Mr Patten is expected to take a much higher profile in winning support for his policies than his predecessor. In a status-conscious place such as Hong Kong, a well-timed call from the governor could achieve a lot in building legislative support for his policies. Some local politicians who now command the political heights may find a more deft contender for the position.

But what will make Mr Patten's governorship one of substance more than mere style is the political structure he leaves behind.

To many in the colony the conduct of the 1995 elections goes to the heart of what Britain, through Mr Patten, can leave Hong Kong.

These people want to retain a robust political structure that can bolster the colony's free press, its independent judiciary, and Hong Kong's open environment for business.

Already forces are marshalling to prevent the 1995 elections from being conducted fairly. The CRC has joined with pro-Beijing legislators to endorse proposals for the elections designed to reduce the representation of the Democrats, who swept last September's elections, in favour of themselves.

Britain is unlikely to convince China of the need for more popularly elected seats in the 1995 elections, in spite of London's commitment to raise the issue with Beijing. But what many want, at the very least, is elections in 1995 that are conducted fairly.

NEWS IN BRIEF

Indian lorry owners' strike lifts food prices

PRICES of vegetables and other foodstuffs rose sharply in India over the weekend as lorry owners halted transport across the country for the fifth consecutive day, Shiraz Sidhva writes in New Delhi. Their strike is aimed at forcing the central and state governments to withdraw local taxes levied at state border posts.

In response to the lorry owners' demands, the central government, announced at the weekend the abolition of border taxes levied within union territories, including Delhi, but state governments refused to follow the lead.

Kabul left without water

Kabul was quiet but without water and power yesterday after rocket attacks which killed at least 100 people and wounded 300, Reuter reports from the Afghan capital. Hezb-i-Islami forces bombarded the city from mountains to the south on Saturday and exchanged fire with government forces.

UN flies into Mogadishu

The first batch of United Nations military observers flew into the war-shattered Somali capital of Mogadishu yesterday as street fighting, which has driven most of the civilian population out of the city, subsided, Reuter reports from Mogadishu. The UN observers are there to monitor the shaky ceasefire agreed four months ago between the main warring groups.

Nigeria pro-welfare party poised for election victory

By Julian Ozanne in Abuja

NIGERIA'S Social Democratic party, one of two army-imposed political parties, was poised last night to take control of both chambers of a new National Assembly after the country's first parliamentary elections in nearly a decade of military rule.

The elections, marred by incidents of fighting at polling booths on Saturday, mark the penultimate step in the return of black Africa's most populous country to civilian rule next January.

Final parliamentary election results will indicate which party is likely to win the critical presidential elections in December. While there are few policy differences between the army-written manifestos of the two political parties, the victory of the pro-welfare SDP over its conservative opponent, the National Republican Convention, is likely to encourage criticism of and opposition to the government's economic austerity programme.

With almost 90 per cent of the ballot counted for the 593-member House of Representatives, Nigerian state radio said the SDP had won 287 seats to the NRC's 221, and was leading in the race for the 91-seat Senate by 43 to 323.

Results suggested a low turnout of about 25 per cent with both parties drawing support from their tribal and regional political strongholds.

Party election officials said the low turnout was a result of voters' distaste for the open ballot system in which people had to queue for several hours in the morning heat behind a poster of their chosen candidate.

Pro-democracy activists in Lagos said the poor turnout was also a sign of how alienated most Nigerians feel by an artificial and undemocratic political system which has been dictated by the military regime of Gen Ibrahim Babangida.

Results from the 30 states of the federation showed the SDP had won a landslide victory in Lagos, Nigeria's huge commercial capital, and in the Yoruba speaking states of the southwest like Ogun, Ondo and Oyo.

The SDP was also making a strong showing in so called multi-ethnic "middle belt" states such as Plateau and Kwara. The NRC was sweeping the traditionally conservative and Moslem Hausa-Fulani states in the north and was marginally ahead in the predominantly Igbo-speaking east and south-east.

UN team in Baghdad stand-off

IRAQ denied UN inspectors access to a government ministry building yesterday and their team leader said Baghdad was violating UN ceasefire resolutions, Reuter reports from Baghdad.

During the stand-off outside Iraq's Ministry of Agriculture and Irrigation, Ms Karen Jansen, a US chemical expert and the UN team leader, said the Iraqis were obliged under the UN resolutions to give "unimpeded access to all sites designated by the Special Commission".

"For some reason they do not want us to enter this particular facility," Ms Jansen said.

Iraq said it denied the team access because it believed the building contained nothing related to the Gulf war ceasefire resolutions requiring Iraq to destroy its weapons of mass destruction.

Malaysia minister faces assets order

By Kieran Cooke in Kuala Lumpur

A MALAYSIAN government minister has been ordered to reveal all his assets at home and abroad, as part of an investigation into an alleged misappropriation of shares in Telekom Malaysia, the country's largest listed company.

Mr S. Samy Vellu, minister of energy, telecommunications and posts, was visited by a seven-member team of Malaysia's Anti-Corruption Agency and told to provide a written statement on his financial holdings within 30 days.

Mr Samy Vellu is president of the Malaysian Indian Congress (MIC), the country's main Indian party and a partner in the National Front government led by Prime Minister Mahathir Mohamad.

Earlier this year, Mr Lim Kit Siang, leader of the opposition Democratic Action party, accused Mr Samy Vellu of "hijacking" 9m out of the 10m Telekom Malaysia shares originally allotted by the government to Maika Holdings, the investment arm of the MIC.

The 9m shares were later taken up by three companies and sold for a profit of 7.16m ringgit ($2.9m).Telekom Malaysia was partially privatised in October 1990. Mr Samy Vellu has denied any wrongdoing.

● A declaration has been signed redefining the relationship between Malaysia's nine hereditary Malay rulers, or sultans, and the federal government. The sultans have agreed not to involve themselves in party politics or to "actively engage in any commercial enterprise". The declaration was rejected by the Sultan of the Moslem state of Kelantan. Two other sultans are considering some clauses.

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

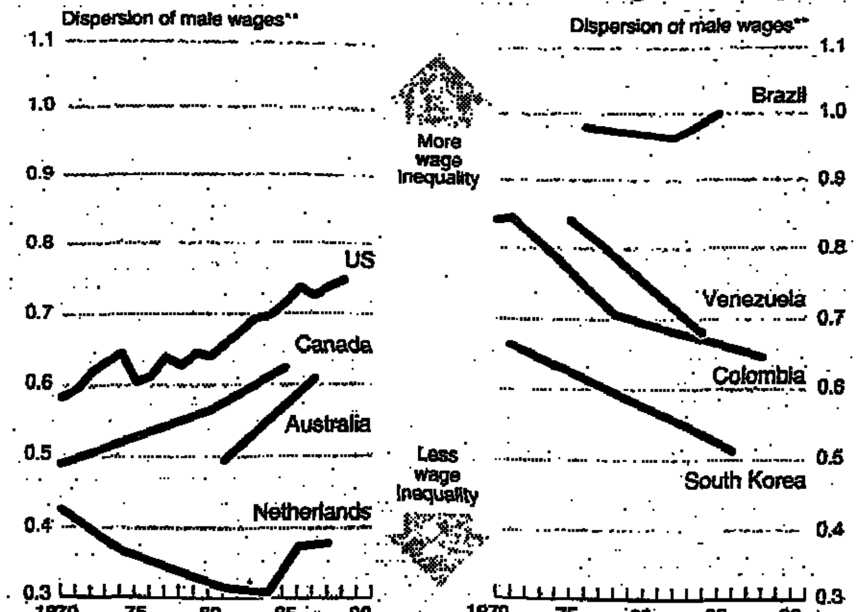
Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

	UNITED STATES					JAPAN					GERMANY				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	101.9	98.6	102.0	99.4	77.1	100.8	95.3	101.4	103.3	125.7	99.9	97.5	104.0	104.0	111.3
1987	105.6	100.7	104.0	96.7	64.7	101.2	92.5	103.1	100.6	126.9	100.1	95.1	108.0	107.0	126.0
1988	109.9	103.2	107.0	98.1	59.9	102.2	92.3	107.8	96.2	137.4	101.4	96.2	113.0	107.0	126.2
1989	115.2	108.5	110.0	98.9	63.0	105.0	94.2	114.0	96.1	131.3	104.2	99.3	117.0	108.0	122.6
1990	121.5	113.8	114.0	100.9	56.6	108.2	95.7	120.1	98.2	116.1	107.0	101.0	124.0	110.0	126.8
1991	126.6	116.3	117.0	103.6		111.8	97.3	124.4	101.7		110.7	103.4	132.0	115.0	
2nd qtr.1991	4.8	3.4	2.9	2.7		3.1	2.3	4.3	3.0		3.1	2.2	n.a.	2.4	
3rd qtr.1991	3.9	1.9	3.2	2.6		3.3	1.7	3.3	4.0		4.1	2.8	n.a.	4.9	
4th qtr.1991	3.0	−0.2	2.9	1.8		3.2	0.0	3.2	6.0		3.9	2.4	n.a.	6.9	
1st qtr.1992	2.9	0.3	2.3	0.3		2.1	−0.6	2.5			4.3	2.0	n.a.		
June 1991	4.7	3.5	2.6	2.8	n.a.	3.3	2.2	4.6	4.0	n.a.	3.5	2.3	6.5	3.6	n.a.
July	4.4	2.9	3.5	2.5	n.a.	3.4	2.0	1.9	3.0	n.a.	4.4	3.3	–	2.8	n.a.
August	3.8	2.0	3.5	2.9	n.a.	3.5	1.9	6.5	5.0	n.a.	4.1	2.7	–	6.4	n.a.
September	3.4	0.8	2.6	2.5	n.a.	3.0	1.1	2.9	4.0	n.a.	3.9	2.6	6.4	5.5	n.a.
October	2.9	−0.1	2.6	3.0	n.a.	3.1	0.3	2.8	6.1	n.a.	3.5	2.3	–	6.4	n.a.
November	3.0	−0.5	3.5	1.8	n.a.	3.6	−0.1	2.7	6.0	n.a.	4.2	2.5	–	5.4	n.a.
December	3.1	−0.1	2.6	0.7	n.a.	3.0	−0.1	3.5	5.9	n.a.	4.2	2.6	6.3	9.0	n.a.
January 1992	2.6	−0.4	1.7	0.7	n.a.	2.1	−0.6	4.6		n.a.	4.0	1.6	–	4.5	n.a.
February	2.8	0.4	2.6	0.3	n.a.	2.2	−0.6	1.2		n.a.	4.3	2.0	–	3.6	n.a.
March	3.2	0.9	2.6	−0.2	n.a.	2.1	−0.7	1.7		n.a.	4.8	2.5			n.a.
April	3.2	0.9	3.4	0.2	n.a.	2.8	−0.7			n.a.	4.6	1.9			n.a.
May	3.0	1.1			n.a.	2.3				n.a.	4.6	2.0			n.a.

	FRANCE					ITALY					UNITED KINGDOM				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	102.5	97.2	104.5	101.5	101.9	106.1	100.2	104.8	102.6	101.4	103.4	104.3	107.7	104.5	92.9
1987	105.9	97.8	107.8	103.0	102.1	111.0	103.2	111.6	105.6	102.5	107.7	108.3	116.3	105.9	90.6
1988	108.8	102.8	111.1	104.0	99.3	116.5	108.8	118.4	109.8	101.9	113.0	113.2	126.2	106.9	96.8
1989	112.6	108.4	115.4	106.0	95.8	124.2	113.1	125.6	112.2	109.2	121.8	119.0	137.2	113.6	95.0
1990	116.4	107.1	120.6	110.3	100.6	131.8	117.8	134.7	120.2	117.2	133.3	126.0	150.1	123.3	98.3
1991	120.0	105.8	125.8			140.3	121.7	147.9			141.2	133.0	162.4	133.5	
2nd qtr.1991	3.2	−0.7	n.a.	4.5		6.8	3.9	9.8	11.4		6.0	5.9	8.5	10.5	
3rd qtr.1991	3.0	−1.5	n.a.	4.5		6.4	3.1	10.7			4.8	5.5	7.8	6.9	
4th qtr.1991	2.9	−3.6	n.a.			6.1	2.1	10.6			4.2	5.0	7.8	5.1	
1st qtr.1992	3.1		n.a.			5.6	1.4	9.2			4.1	4.5	8.6	4.6	
1991 June	3.3	n.a.	4.2	n.a.	n.a.	6.8	3.8	10.3	n.a.	n.a.	5.8	5.7	8.0	8.6	n.a.
July	3.4	n.a.	–	n.a.	n.a.	6.7	3.8	10.4	n.a.	n.a.	5.5	5.7	7.6	6.9	n.a.
August	3.0	n.a.	–	n.a.	n.a.	6.3	2.9	10.9	n.a.	n.a.	4.7	5.5	8.3	7.8	n.a.
September	2.6	n.a.	4.3	n.a.	n.a.	6.2	2.6	10.8	n.a.	n.a.	4.1	5.4	7.5	6.1	n.a.
October	2.5	n.a.	–	n.a.	n.a.	6.1	2.2	10.8	n.a.	n.a.	3.7	5.0	8.3	6.6	n.a.
November	3.0	n.a.	–	n.a.	n.a.	6.2	2.3	10.7	n.a.	n.a.	4.3	5.1	7.8	4.2	n.a.
December	3.1	n.a.	4.1	n.a.	n.a.	6.0	1.9	10.4	n.a.	n.a.	4.5	4.8	7.2	4.7	n.a.
1992 January	2.9	n.a.	–	n.a.	n.a.	6.1	1.3	9.4	n.a.	n.a.	4.1	4.5	7.5	5.2	n.a.
February	3.0	n.a.	–	n.a.	n.a.	5.3	1.5	9.1	n.a.	n.a.	4.1	4.4	7.8	2.9	n.a.
March	3.2	n.a.	3.6	n.a.	n.a.	5.5	1.4	9.1	n.a.	n.a.	4.0	4.5	10.3	5.7	n.a.
April	3.1	n.a.	–	n.a.	n.a.	5.5		8.8	n.a.	n.a.	4.3	3.8	4.5	−0.4	n.a.
May	3.1	n.a.	–	n.a.	n.a.	5.7			n.a.	n.a.	4.3	3.6			n.a.

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted. US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: IMF real effective exchange rate based on relative unit labour costs (non-normalised). A fall in the index indicates improved international competitiveness.

Wages diverge for the rich... ...but converge for the poor



*Log difference between top and bottom 10% of earners **Standard deviation of log wages. Source: Davis 1992

Labour pains from working in a more equal world

MR ROSS PEROT has struck a raw nerve. The benefits of free trade in general, and open borders with Mexico and Canada in particular, may have become an accepted part of the economic orthodoxy that both Mr George Bush and Mr Bill Clinton apparently share. But in the minds of many blue-collar Americans, the North American Free Trade Agreement spells lower wages and fewer jobs. Little wonder that Mr Perot's barely concealed protectionism finds a ready constituency.

Few economists or policy-makers doubt that the free trade between Mexico and the US will generate more jobs and wealth for both countries. The Washington-based International Institute of Economics calculates that a net 130,000 new jobs will be created. But nor can they ingenuously deny that there will be winners and losers from removing trade barriers; and the losers are likely to be unskilled US workers in relatively low wage occupations. The institute also expects 112,000 US workers to be displaced as US manufacturers move production south of the border where wages are only a fifth of US levels.

The experience of the last two decades suggests that the fears of low-wage, low-skill Americans are well-founded. Their opposition to Nafta may be more overt because Mexico is so close to home, but low cost competition from east Asia and Latin America has been eroding the relative wages and employment prospects of poorly educated Americans for years.

Nor have these economic forces affected the US alone. Research by Mr Steven Davis, an economist at the University of Chicago Business School, shows that wage inequality has grown across the industrialised world over the past two decades. The wages of young, inexperienced and poorly educated workers, particularly men, have fallen relative to better educated, high-skill workers whose jobs are not threatened by cheap, low technology imports.

Not every developed country has experienced such a large rise in overall wage inequality. In France, for example, the wages of the bottom 10 per cent of workers have barely changed relative to average French wages. France has not escaped these economic forces, however, merely redirected their effects. The wages of the top 10 per cent of French workers have risen rapidly relative to the average. But the combination of a relatively high minimum wage and unemployment benefits has put a floor to wages at the bottom of the wage distribution. Instead, poorly educated French workers have been progressively priced out of work, leading to persistently high rates of unskilled, youth and female unemployment.

Yet on a global scale the consequences of reducing trade barriers are more, not less, egalitarian. As the demand for low-skill labour shifts towards developing countries, so unskilled wages in these countries have been slowly catching up with those in developed countries. Meanwhile, within those developing countries, the effect of free trade has been to reduce wage inequality as the growing demand for manual labour raises the wages of the unskilled workers relative to those of the highly educated elite. The result is that over time, the degree of national wage inequality between developed and developing countries has converged towards a common standard, as the charts show.

While this wage convergence is good for poorly paid Mexicans, it is painful for their American counterparts. Protectionist sentiments in Europe have been stifled by the fact that, in most of these countries, the real wages of the lowest paid have continued to rise. But not in America: US average wages have barely changed in real terms for two decades while the real wages of the poorest 10 per cent of US workers have fallen by over 30 per cent since 1970. Little wonder that Mr Perot sees votes to be won through protectionist, America-first rhetoric.

Edward Balls

"Cross-Country Patterns of Change in Relative Wages", Macroeconomics Annual, 1992. National Bureau of Economic Research, 1050 Mass Ave, Cambridge, MA 02138, USA.

Stock option schemes face reform plan

By Norma Cohen, Investments Correspondent

BRITAIN'S largest shareholder group is seeking changes to executive stock option schemes which could reduce their value by linking benefits more closely to performance.

The proposals are part of a consultative document being prepared by the National Association of Pension Funds (NAPF), whose members have £300bn under management.

The NAPF is studying alternatives to the formula used by many companies which links the granting of stock options to increases in earnings per share. Alternatives under consideration would link options either to a lagged share price over the previous year or to a ratio of share price to an index such as the FTSE-100.

Earnings per share as a measure of corporate performance are increasingly under attack from the accountancy profession and institutional shareholders, who argue that the ratio is too easily subject to management manipulation.

A NAPF official said it was seeking a new system which would be less open to manipulation. He said such a system could benefit successful managers in troubled industries if their share price out-performed those of rivals in the sector. The NAPF is in talks with the Association of British Insurers (ABI), the UK's other large shareholder group in a bid to reach a common position before publishing its proposals.

Major seeks cost cuts on European fighter

By Ralph Atkins and Peter Norman

THE PRIME minister will today begin government attempts to curb the costs of Britain's involvement in the European Fighter Aircraft (EFA) amid signs that the project is one of many Treasury targets in its fierce battle to curb public spending.

Mr John Major will discuss EFA's future, following Germany's decision not to give the go-ahead for production, when he meets Professor Giulano Amato, the Italian prime minister, in Munich today. Italy and Spain are also partners in the project.

Mr Malcolm Rifkind, defence secretary, will consider possible alternatives when he meets Mr Volker Rühe, his German counterpart, in London. Possible compromises include varying the specification of the fighter by country, allowing Germany, say, to have cheaper weapon and radar systems. The MoD believes EFA can be kept within its original budget.

The Treasury wants a full review of the project's costs but accepts that no decision can be made until Germany's position is clarified and accepts that much of the spending will fall outside this year's public expenditure round.

Mr Major is anxious that Germany should reconsider although Downing Street officials are not optimistic.

Cabinet ministers sought to play down speculation of a rift but acknowledged that the projects future was uncertain. "We haven't even taken enough of a look at it to know what the range of options is," said one.

However, any Treasury attempt to stymie the project would be resisted furiously by Mr Rifkind and Mr Michael Heseltine, the trade and industry secretary.

Mr Major said he was looking to cut the costs of the EFA but he hoped the project would go ahead. The UK had decided it needed an aircraft like the EFA for military reasons, he said.

But he added: "We believe it is certainly possible to reduce the costs of the European fighter and we equally take the view that the alternatives to the European fighter would be more expensive, not less expensive, and would take longer to produce."

Another row over public spending could erupt this week when the Cabinet discusses substantial rises, recommended by the Top Salaries Review Body, in MPs' allowances. Tory backbenchers may rebel if the the increases are trimmed.

Inward investment falls sharply

BRITAIN'S share of total inward investment in European Community countries last year fell to its lowest level since 1984, reflecting the severity of the recession, writes Peter Marsh.

Although the UK last year continued in its traditional role of attracting the largest share of EC inward investment, the proportion fell to 33 per cent from 39 per cent in 1990.

France and Belgium were the next most successful last year in attracting such funding, with 17 per cent and 14 per cent respectively of the total.

The figures from the Bank for International Settlements, the central bankers' bank, cover investments in individual EC nations by foreign companies. They indicate Britain's strong record in gaining such finance – including large sums from Japanese companies – may be starting to wane.

Britain's 33 per cent share last year of total foreign investment in EC nations – a total which dropped to \$64.7bn from \$86.3bn in 1990 – was the lowest since the 4 per cent recorded in 1984. Leaving aside 1984, last year's UK share of EC investment was the lowest since the 30 per cent recorded in 1978.

Talks may answer Ulster question

Face-to-face talks between Northern Ireland's political parties and the British and Irish governments start today. **Ralph Atkins** answers some questions posed by one of Europe's longest territorial and sectarian disputes.

WHAT has been agreed so far?

So far the talks process has been devoted to "strand one" in which local politicians discussed devolution in Northern Ireland with the UK government. Now agreement has been reached to move to "strand two" when the Dublin government will enter and the talks will turn to relations between north and south Ireland.

● **How significant is it?**

Perhaps the most momentous development is the broadening of discussion on Northern Ireland's future. Unionists – those who favour retaining links with Britain – have not negotiated with the Irish Republic since 1973.

This time the talks with Dublin will include the Rev Ian Paisley, hardline leader of the Democratic Unionist Party (DUP), making it the first negotiations in which all shades of unionist opinion have been represented since partition in the 1920s.

However, it is still only an agreement to talk, and there is less than a month before talks are supposed to end. If Unionists had fears about starting "strand two" they may have been encouraged by knowing that time will almost certainly run out. With Northern Ireland's "troubles" descending from centuries of conflict, few expect a lasting settlement to emerge in days.

● **Why are there three "strands"?**

To reconcile the mutual distrust between unionists and nationalists – those who favour stronger ties to Dublin. The Ulster Unionist party and the DUP believe the government of Northern Ireland is of no concern to a "foreign" government such as the Irish Republic. But they recognise a need for good relations with neighbours. The nationalist Social Democratic and Labour Party (SDLP) argues Northern Ireland's problems require addressing the "totality of relationships" within the British Isles.

Last year Mr Peter Brooke, then Northern Ireland secretary, agreed with unionists, nationalists and the Irish government that discussions in the three "strands" would be phased. Nothing would be formally agreed until everything was agreed but "strand two" would start "within weeks". Mr Brooke failed to get beyond "strand one" but paved the way for talks to restart in April this year before being replaced by Sir Patrick Mayhew.

This time, amid continuing unionist suspicion, it took informal meetings in strand two and three "formation" over the past two weeks before a formal start to strand two could be agreed.

Strand three, between the UK and Irish governments and on relations between the two countries, is also about to start. This is regarded as particularly significant by unionists because the 1985 Anglo-Irish Agreement – which they oppose because of the role it gives Dublin – and the republic's constitutional claim on the province are now on the negotiating table.

● **Is the talks process likely to make much more progress?**

Developments so far have already surprised some commentators who argued that unionist and nationalists could never work together.

● **Are the unionists and nationalists moving towards each other?**

Hardly. The process is more about finding political structures to reconcile their conflicting aspirations. Mr Paisley and Mr James Molyneaux, unionist leaders, would not be able to sell to their supporters any deal which gave nationalist undue influence. Mr John Hume, SDLP leader, will not allow a return to the old unionist hegemony of Ulster.

● **How much agreement on issues been reached so far?**

It is hard to tell. The parties have agreed not to disclose the content of discussions. However, briefings indicate there is some agreement between the two unionist parties and the non-sectarian Alliance party on a devolved structure with a controlling "panel".

But the SDLP's proposals for six commissioners including three appointed by London, Dublin and the European Community is unacceptable to unionists.

● **How big are the differences between the UK and Irish governments?**

Unlike the worst years of the 1980s there is little "megaphone diplomacy" but there are still considerable tensions that should not be underestimated. Mr David Andrews, Irish foreign minister, has raised the stakes by saying that, if his country's constitution is to be discussed, so too should the 1920s UK legislation which led to partition. Sir Patrick has played a "neutral facilitator" role but he is seen as a friend of the Union.

● **Why has the talks process been time-limited?**

Unionists refused to talk while the 1985 Anglo-Irish Agreement was in operation – including the regular inter-government conferences. The Irish government refused to abandon it but agreed to a suspension of its workings. After a conference meeting in April a "gap" was agreed until the end of this month. The Irish government has indicated, however, that it will be flexible – possibly allowing an extension if talks are making progress.

● **Why has Sinn Fein, the political wing of the IRA, been excluded?**

The UK and Irish governments refuse to talk to Sinn Fein until it renounces the use of violence. Unionist leaders would walk out if allies of the IRA joined negotiations.

● ***Will the terrorist killings stop?***

No – at least not in the foreseeable future. The IRA wants British troops and politicians out of Northern Ireland. But if a lasting political settlement is found the terrorists' strongest argument – that politics has failed in Northern Ireland – will have been undermined.

Government aid urged for Maxwell pensioners

By Jimmy Burns, Andrew Jack and Robert Rice

THE GOVERNMENT is being urged by Lord Goodman, the prominent solicitor, to assume full legal responsibility for pursuing claims on behalf of Maxwell pensioners.

Under Lord Goodman's proposals, the government would undertake to meet the pension entitlements of the Maxwell pensioners. In return the pensioners would assign to the government their rights over missing pension fund assets.

In a letter to Mr Peter Lilley, social security secretary, Lord Goodman says his proposal is "the most economical and only just solution". The final cost to the government would be limited to the value of any assets it did not recover.

Lord Goodman comments on the considerable differences between the positions of the members of the different funds, and between the resources of their employers "so that the various administrators are having to spend inordinate time and money in sorting out the respective claims and liabilities."

He also notes the "intolerable burden in costs and uncertainties" on the pension fund members of pursuing civil action to recover the money owed to them.

Lord Goodman suggests the new government trust headed by Sir John Cuckney to solicit contributions on behalf of the Maxwell pensioners could have its powers expanded to enable it to take on, on behalf of the Government, the management of the pensioners' rights of legal action.

The letter follows an earlier private submission to the minister by Lord Goodman.

Leaked extracts from a report by the City's chief watchdog, the Securities and Investments Board, confirm that the SIB was considering scrapping the Investment Management Regulatory Organisation because of the way it authorised the fund management companies at the centre of the more than £400m Maxwell pensions fraud.

Britain in brief

Labour split likely over Maastricht

Mr John Smith, the favourite to win the leadership of the opposition Labour party, has admitted publicly that Labour MPs were likely to split in a House of Commons vote on Maastricht – and did not rule out backing a free vote.

With Tory MPs opposed to the Maastricht treaty believing their chances of success depend critically on Labour's response, Mr Smith said it would be "impossible" to expect all Labour MPs to vote either for, or against, the legislation.

"Always in British political parties on this issue there are going to be divisions. It is just impossible to expect that on a issue of this kind that they will all vote in the same way," he said during a BBC television interview.

Thames to bid for Channel 5

Thames Television is expected to go ahead tomorrow with a bid for Channel 5 with the full backing of its parent, Thorn EMI, in spite of last-minute setbacks.

Sony Pictures, the Hollywood studio group, one of the main potential shareholders in the Thames-led consortium, will take its decision on the venture after studying the final bid document.

The second potential shareholder, Canwest, the Winipeg-based international broadcaster, submitted a contract insisting on managerial control of the venture.

Lloyd's agents urge changes

A group of leading agents at Lloyd's is to press for a change in management style amid concern over the way a new chief executive is being chosen.

The insurance market's senior appointments committee interviewed candidates from what is understood to be a final shortlist on Friday, scarcely two days after the approval of radical changes to the market's management and regulation.

The changes, suggested by a team led by Sir Jeremy Morse, chairman of Lloyds Bank, would alter radically the job of the chief executive.

MBO activity in recession

Uncertainty about the economy and stock market sentiment depressed the level of management buy-out activity in the second quarter of 1992 with just £600m worth of deals completed, according to accountants KPMG Peat Marwick. This was less than the £800m worth of deals done in the first quarter and the lowest figure since the third quarter of 1991 when £420m of buy-outs were completed.

TUC sees bias in education

Discrimination in education and training against young people from lower-income families has made the UK an "under-educated and under-trained nation", the Trades Union Congress (TUC) warns today. Britain's economy will suffer from growing international competition unless all employees benefit from broad and continuing education and higher-level skills, the TUC says in a submission to the National Committee on Education, the privately funded inquiry chaired by Sir Claus Moser.

Match point: Andre Agassi celebrates a winning shot during his five set victory over Goran Ivanisevic of Croatia. Agassi won 6-7 6-4 6-4 1-6 6-4 to take his first Wimbledon title. Ivanisevic served 37 aces in the match and at one point, contesting a line call, told the umpire: "You didn't see the ball, it's too fast for you." He served a series of double faults, however, to give Agassi a championship-winning break. The women's title, meanwhile, was taken by Steffi Graf of Germany, who beat Monica Seles

CONTRACTS & TENDERS

LEGAL NOTICES

THE WEEK AHEAD

ECONOMICS

Markets focus on G7 for signs of change

FINANCIAL markets will this week scour reports from the Munich summit for hints of policies either to encourage growth or bolster specific currencies.

Even if the news from the meeting of the leaders of the Group of Seven industrial nations fails to contain such nuggets, there will be plenty of economic data from other sources for the number-crunchers to work on.

In the UK, further indications are expected on Friday of the degree to which inflationary pressures are being squeezed from the economy by the recession.

Markets are expecting the increase in the year to June in the retail prices index to come out at 4.1 per cent, down from the 4.3 per cent for the 12 months to May.

Elsewhere, important figures on the state of the labour market in both eastern and western Germany will provide signals as to the degree to which its economy is slowing down.

Perversely, many commentators will hope these figures will indicate growing economic weakness. Assuming demand levels in German economy start to come down later this year, the way may be clear for the Bundesbank to reduce high German borrowing rates.

UK retail price index

% change over previous year

Source: Datastream

Such a move would give the green light for other European countries to shave interest rates in a bid to revive their faltering economies.

The following are the highlights of the week ahead. The figures in brackets are median market projections, supplied by MMS, a financial information company.

Today: Germany, G7 summit, lasts until Wednesday. UK, G10 committee on banking regulation unveils new international standards; May credit business (£30m repayment). US, June 21-30 car sales. France, 1st quarter GDP. Canada, April leading indicator.

Tomorrow: Australia, central bank has monthly board meeting. US, May wholesale trade. Germany, June unemployment (up 20,000 for western Germany, down 25,000 for eastern Germany), May employment (up 25,000 for western Germany), June vacancies (down 5,000 for western Germany), May short time working (down 20,000 for eastern Germany). Sweden, June unemployment rate.

Wednesday: Japan, central bank holds regular press conference, May trade surplus ($9.1bn), current account details and May foreign bond investment. US, May consumer credit.

Thursday: US, initial claims for week ending June 27, money aggregates for week ending June 29. UK, 2nd quarter house prices survey by Halifax building society. Australia, June unemployment rate (10.7 per cent) and employment (flat). Canada, May vehicle sales (down 3.8 per cent) and June housing starts (up 170,000).

Friday: US, June producer prices index, 1st quarter retailers financial report. UK, June retail prices index (up 0.2 per cent on month, or 4.1 per cent on year; excluding mortgages, up 5.1 per cent on year). Norway, June consumer prices index (up 2.3 per cent on year). Canada, June unemployment rate and employment growth (11.1 per cent and 0.1 per cent), May unadjusted department store sales (up 0.5 per cent on year).

During the week: Germany, May industrial production, manufacturing output and orders (down 0.2 per cent, down 0.2 per cent, up 0.2 per cent), May trade surplus (DM2.2bn) and current account deficit (DM2bn), May retail sales (down 1.6 per cent on year). Switzerland, June consumer prices index (up 4.1 per cent on year), unemployment rate (2.8 per cent). Holland, June consumer prices index (up 4.2 per cent on year). Denmark, May unemployment rate (11 per cent), France, June M3 growth (0.4 per cent on month).

Peter Marsh

RESULTS DUE

ASDA, the highly-indebted Leeds-based grocery chain, will have much to tell its anxious shareholders when it reports its full-year results today.

Analysts have pencilled in an £80m profit figure but this could be severely depressed depending on how much of a financial hit Asda takes on its redundancy programme and whether it accepts the charge above or below the line.

The hard-pressed company has also warned that it is likely to take a substantial write-down on the portfolio of 60 stores it expensively acquired from Gateway in 1989. This could run into hundreds of millions of pounds.

Shareholders will want to know how Asda plans to tackle its shrinking volumes and pinched margins. The company's chief executive, Mr Archie Norman, has been in the hot seat for six months now and investors are growing restless for some answers.

Scottish & Newcastle, the brewer, is likely to report today pre-tax profits for the year to April only marginally ahead of £217m a year earlier. Higher interest charges have eaten up much of the increase in operating profits.

On Wednesday, the UK's biggest electrical chain, **Dixons**, will report its full year results, which should provide a a good insight into whether there are any flickerings of life on the high street. At the time of its interim results, chairman, Mr Stanley Kalms was upbeat about the strength of the recovery, but since then demand is believed to have slackened. Pre-tax profits are expected to have fallen by some £10m to £71m, with the company's US operations continuing to drag down the overall numbers.

The Rank Organisation is expected to report on Thursday six-month pre-tax profits of between £90m and £94m, slightly down from last year's £96m. The fall is likely to come from Rank's share in Rank Xerox and particularly from Fuji Xerox, hit by the downturn in the Japanese economy.

Rank's own businesses, which include Butlin's camps and Shearing coach holidays, tend to have a far busier second half than first. The group will be asked how much progress it has made in disposing of the 22 UK hotels it has put up for sale, but analysts do not expect much news yet.

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Chester Waterworks, Aqua House, 45, Boughton, Chester, 12.00
Gates (Frank G), Queen Mary College, 98/110, High Road, Woodford, E., 12.00
RIT Capital Partners, Royal Automobile Club, 89, Pall Mall, S.W., 12.00
Value & Income Trust, 45, Charlotte Square, Edinburgh, 12.15
Whitbread Investment, The Brewery, Chiswell Street, E.C., 12.30
BOARD MEETINGS:
Finals:
ASDA
Assoc. Nursing Services
Budgens
Daejan
Platignum
RHP
Reliance Security
Scot. & Newcastle Brew.
Tiphook
Wilshaw
Yorkshire Electricity
Interim:
Evode

■ TOMORROW
COMPANY MEETINGS:
Chesterfield Props., 38, Curzon Street, W., 11.30
German Inv. Trust, 48, Chiswell Street, E.C., 2.30
German Smaller Companies Inv. Trust, 48, Chiswell Street, E.C., 12.30
Phoenix Timber, Institute of Chartered Accountants, Moorgate Place, E.C., 11.00
Sketchley, Glaziers' Hall, 9, Montague Close, London Bridge, S.E., 12.00
BOARD MEETINGS:
Finals:
Assoc. Brit. Engineering
Bimec Inds.
Colefax & Fowler
Creighton's Naturally
Evans of Leeds
Howden
Kakuzi
Oceonics
Real Time Control
Seeboard
Interims:
P & P
Securicor
Securiguard
Security Services
Torex Hire

■ WEDNESDAY JULY 8
COMPANY MEETINGS:
Albany Inv. Trust, Port of Liverpool Building, Pier Head, Liverpool, 2.30
Atkins Group, Old Cottages, Lower Bond Street, Hinckley, 10.00
Borthwicks, Founders' Hall, 1, Cloth Fair, E.C., 11.30
Eidos, The Boat House, 15, Thames Street, Hampton, Middlesex, 11.00
Warnford Investments, Chartered Insurance Institute, 20, Aldermanbury, E.C., 12.00
BOARD MEETINGS:
Finals:
Bespak
Dixons
French Connection
Gibbon Lyons
Hollas
Tops Estates
Interims:
Bogod
Gardiner
M & G Dual Trust
Newman Tonks

■ THURSDAY JULY 9
COMPANY MEETINGS:
Abtrust New European Inv. Trust, 99, Charterhouse Street, E.C., 12.15
Allied-Lyons, London Hilton Hotel, Park Lane, W., 11.30
Brown (N), Ramada Renaissance Hotel, Manchester, 2.30
Parkland Textile, Forte Crest Hotel, Bramhope, 11.30
Storehouse, Royal Lancaster Hotel, Lancaster Terrace, W., 11.30
BOARD MEETINGS:
Finals:
Banner Homes
Burtonwood Brewery
Greene King
Harland Simon
Jurys Hotel
Scottish Hydro-Electric
Stanley Leisure
Stewart & Wight
Symonds Engineering
Vardy (Reg)
Interims:
Domino Printing
Eurocamp
Kershaw (A)
Rank Org.

■ FRIDAY JULY 10
COMPANY MEETINGS:
Clarke, Nickolls & Coombs, Unit 2, The Grand Union Office Park, Packet Boat Lane, Cowley, Uxbridge, 11.00
East Surrey Holdings, London Road, Redhill, Surrey, 12.30
Hartstone Group, Harlwell House Hotel, Oxford Road, Stone, 3.00
MTM, Rudby Hall, Hutton Rudby, Yarm, Cleveland, 10.30
Powerscreen Intl., Ironmongers' Hall, Shaftesbury Place, Barbican, E.C., 11.00
Protean, 135, Bishopsgate, E.C., 12.00
Smith (James) Estates, Cisswood House, Lower Beeding, Near Horsham, West Sussex, 11.30
Wilkes (James), Albert Works, Penistone Road, Sheffield, 12.00
BOARD MEETING:
Interim:
Malvern UK Index Trust

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Barr & Wallace Arnold 7p
Do. A 7p
Beattie (J) A 4.35p
Bowthorpe 4.34p
Centex $0.10
Colman (E. Alec) Invs. 8pc Ln. 1991/96 £4
Courtaulds $3\frac{1}{2}$pc Pf. 1.75p
Do. $5\frac{1}{2}$pc Ln. 1994/96 £2.75
Croda Intl. 4.75p
English & O'seas. Props. 0.5p
Ferguson Intl. 8.25p
Fleming Euro. Fledgling Inv. Tst. 1.5p
Guardian Royal Exchange 2.6p
Harrisons & Crosfield 5.4p
Hepworth 9.35p
Met. Water Board Staines Res. 3pc Deb. £1.50
Nurdin & Peacock 3.6p
Pacific Dunlop A$0.105
Proudfoot (A) 13.5p
Radio Clyde 3.25p
Reckitt & Colman 9.55p
Sanderson Electronics 3.8p
Smith (WH) $5\frac{1}{4}$pc Ln. £2.5625
Do. $7\frac{3}{4}$pc Ln. 1988/1993 £3.875
Stratton Inv. Tst. 1.7p
Tarmac 2.5p
Warner Howard 3.975p
Whessoe 2.2p
Yule Catto 3.1p

■ TOMORROW
Albany Inv. Tst. 2.65p
Bourne End Props. 1p
British Assets Tst. 1.04p
Gates (Frank G) 2.25p
Linread $7\frac{3}{4}$pc Deb. 1989/93 £3.875
Mowlem (J) 4.85p
NFC Var. Vtg. 1.3p
Oriel 3.2p
QS 3.3p
Queens Moat Hses 7pc Pf. 3.5p
River & Merc. Tst. 2.25p
Royal Bank of Canada Intl. Bond Fd. $0.07
Scottish Value Tst. 0.8p
Smith & Nephew 2.69p
Value & Income Tst. 1.62p

■ WEDNESDAY JULY 8
Aegis 3.1p
Capital Gearing Tst. 1.2p
Celestion Inds. 1.2p
Chesterfield Props. 10.9p
Clarkson (H) 5.25p
German Inv. Tst. 0.6p
German Smaller Co's. 1.1p
Inter-American Dev. Bank $12\frac{1}{2}$pc Ln. 2003 £6.25
Metropolitan Estate & Prop. Intl. Fltg. Rate Nts. 1995 Y271,736
RIT Capital Partners 1.15p
Security Pacific Fltg. Rate Nts. 1992 $115.33
Shani 1.6p
Warburg (SG) Fltg. Rate Nts. 2006 $221.18

■ THURSDAY JULY 9
Bradford & Bingley Bldg. Soc. Fltg. Rate Nts. 1998 £271.94
Cahill May Roberts Ir0.77p
Carr's Milling Inds. 1p
Collateralised Mortgage Securities Class B Mtg. Backed Fltg. Rate Nts. 2028 £313.90
EIS 8.525p
Kansai Intl. Airport $8\frac{1}{2}$pc Gtd. Bds. 1998 $85
New Zealand Inv. Tst. 0.5p
Skandia Capital Fltg. Rate Nts. 1995 $107.431
Sketchley 3p
Standard Chartered Undated Fltg. Rate Nts. $211.70
Do. Undated Fltg. Rate Nts. (Series 4) $216.13
Westpac Banking A$0.12

■ FRIDAY JULY 10
Abtrust New Euro. Inv. 0.3p
Apollo Metals 1.15p
Do. 8p Pf. 4p
Berry Birch & Noble 2.2p
Blue Circle Inds. 7.5p
Bradford & Bingley Bldg. Soc. Fltg. Rate Nts 1997 £259.96
Britannia Bldg. Soc. Fltg. Rate Nts. 1993 £261.07
Burmah Castrol 15.5p
City Merchants High Yield 2p
Daicel Chemical Inds. 6.1pc Bds. 1997 Y157,583
Evered Bardon 3.66p
Ferry Pickering 2.1p
Greenalls 4.84p
Guinness $2\frac{1}{2}$pc Nts. 1997 Ir£625
Jarvis 0.325p
Kelsey Inds. 8p
Lon & O'seas Freighters 1.25p
Metro Radio 1.5p
Mezzanine Cap. & Inc. 7.25p
Morland 2.42p
Natl Australia Bank A$0.22
Parkland Textile 1p
Do. A 1p
Quicks 2p
Rank Hovis McDougall 3.82p
Reed Publishing (USA) 9pc Bds. 1996 $900
Riverview Rubber Ests. Bhd. M$0.15
Warner Ests. 3.5p
Worth Inv. Tst. 0.1p

■ SATURDAY JULY 11
CNA Gallo R0.54
Guinness Finance 8pc Gtd. Nts. 1994 $80
Walker Greenbank 1.9p

■ SUNDAY JULY 12
Conversion 9pc Ln 2011 £4.50
Conversion $9\frac{1}{2}$pc Ln. 2001 £4.75
Severn Trent $11\frac{1}{2}$pc Bds. 1999 £575

PARLIAMENTARY DIARY

■ TODAY
Commons: Social Security, Attorney General and Overseas Aid questions. Debates opened by the Opposition on recession in industry and bovine spongiform encephalopathy. Criminal Justice Act (Contracted Out Prisons) Order. Parole Board (Transfer of Functions) Order.
Lords: Maintenance Orders (Reciprocal Enforcement) Bill, committee. Sporting Events (Control of Alcohol) (Amendment) Bill, third reading. Vienna Document 1992 (Privileges and Immunities) Order. Town and Country Planning orders. Debates on income support and a police and National Children's Home report on runaways.
Committee: Public Accounts – subject, Vehicle Inspectorate. Witnesses: Mr Patrick Brown, Permanent Secretary, Department of Transport; Mr R.J. Oliver, chief executive, Vehicle Inspectorate Executive Agency. Committee Room 15, 4.30pm

■ TOMORROW
Commons: Employment questions. Prime Minister's Questions (Commons Leader Tony Newton standing in for Mr Major). Finance Bill, report. Supplementary estimates vote. Value Added Tax (Payments on Account) Order.
Lords: Civil Service (Management Functions) Bill, committee. Criminal Justice Act (Contracted Out Prisons) Order. Debate on the Social Fund.

■ WEDNESDAY
Commons: Trade and Industry questions. Finance Bill, remaining stages. Debate on Commons Members Fund.
Lords: Debates on manufacturing job losses and the future of the professions. Gas (Exempt Supplies) Bill, second reading. Debate on London's Underground.

■ THURSDAY
Commons: Treasury questions. Prime Minister's Questions (Mr Newton standing in). Summer adjournment debate. Consolidated Fund Bill, all stages – all-night session of backbench debates.
Lords: Debate on Procedure Committee's report. Debate on Science and Technology Select Committee's report into systematic biology research. Food Protection (Emergency Prohibitions) (Paralytic Shellfish Poisoning) Order. Northern Ireland orders. Debate on the impact of latest CAP agreement on the rural economy.

■ FRIDAY
Commons: Backbench debate on the impact of government social policies on Merseyside. *(Lords not sitting.)*

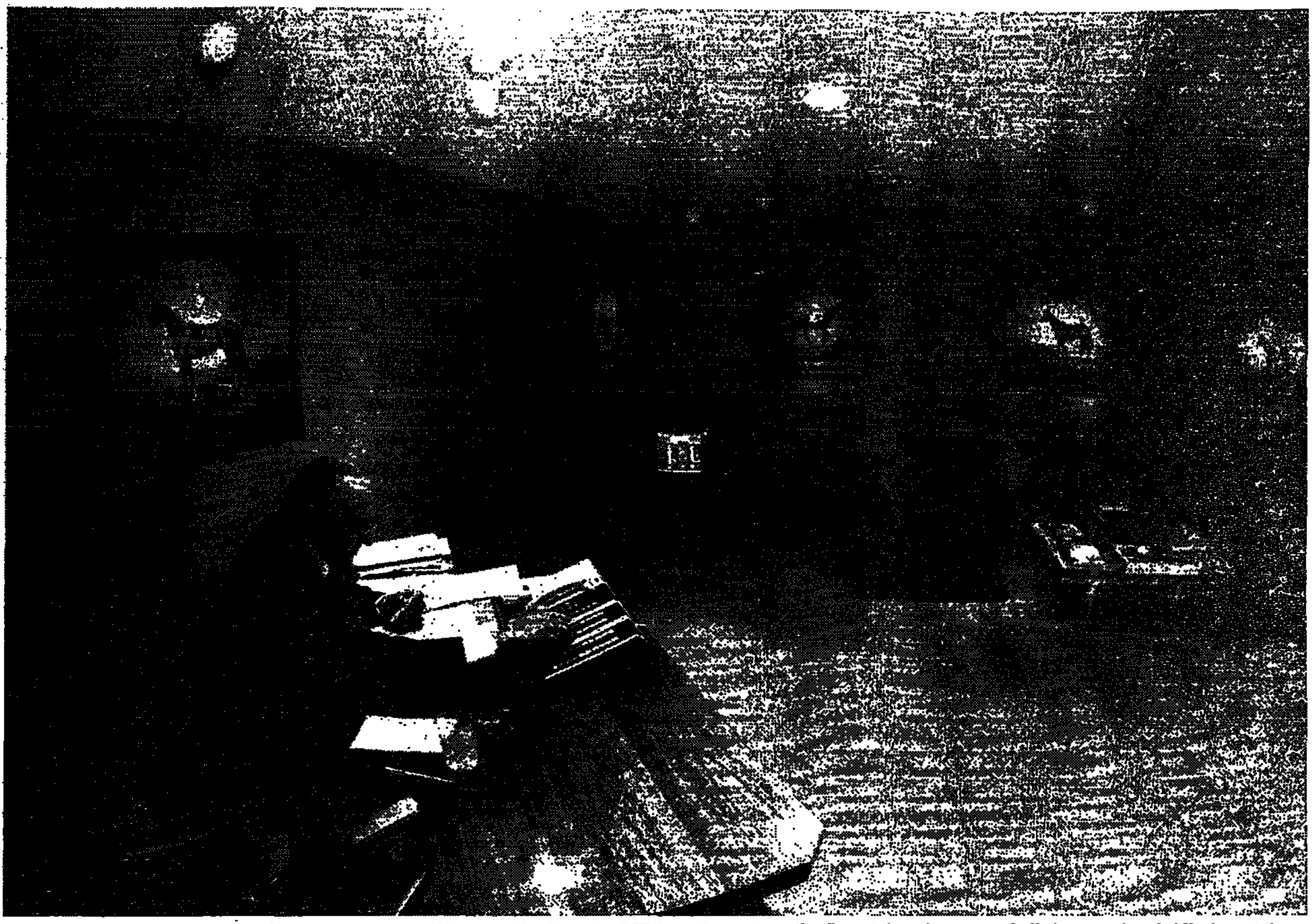
MANAGEMENT

GEC

AT THE CROSSROADS

Preparing for life after Lord Weinstock

PART ONE: The board is lining up to take one of the biggest decisions in the company's history. **Charles Leadbeater reports**



HEART OF POWER *From his dimly-lit office, Lord Weinstock monitors the financial performance of all the group's subsidiaries, while on the walls hang pictures reflecting one of his private passions, horse-racing* *Photograph, Ashley Ashwood*

A CORPORATE timebomb is quietly ticking away on the desk of Lord Prior, the chairman of General Electric Company. It will be his job to make sure it does not explode.

The explosive issue is the succession to the man who has been the driving force behind the company for more than 30 years, its architect, creator and managing director, Lord Weinstock.

Finding a successor to Lord Weinstock, who will be 68 next month, will be the one of the most significant decisions in GEC's history.

He is the lynchpin of the company's senior management. He has occupied the seat of power at GEC as the chairmen and managing directors of other companies have come and gone. His reign has lent GEC a stability unrivalled in British industry.

Yet behind the scenes there are sharp divisions between GEC's management and some of its directors, and between the executives and institutional shareholders over how the company should develop and how the succession should be decided.

It is Lord Prior's job to prevent the search for a successor turning into a power struggle that could destabilise the group. The conduct and outcome of that process will not just affect GEC. The company is a central pillar of the UK manufacturing establishment; what happens to it matters to the rest of British industry.

Since the youthful Arnold Weinstock became GEC's managing director in 1961 he has transformed it from an ailing electrical group into one of Britain's largest manufacturing companies.

It has a stock market capitalisation of about £6bn, annual sales of £9.4bn and pre-tax profits last year of £829m, generated by 277 subsidiaries which employ about 118,000 people. Only last week GEC unveiled a 1 per cent rise in profits and a 5 per cent rise in dividends at a time when rivals are seeing profits vanish.

Its interests stretch from radars and torpedoes to petrol pumps and weighing machines. It sells power stations in China and frigates to Malaysia. It makes telephone exchanges in Liverpool and refrigerators in Peterborough.

The group is the custodian of much of Britain's technological heritage: from Marconi's original work on radar and radio and Whittle's work on jet engines to most of the UK's expertise in telephone equipment and much of the post-war British computer industry.

Lord Weinstock led GEC to its dominance of the UK's engineering, electronic and telecommunications industries through a string of daring takeovers. The foundation was laid in 1967 with the acquisition of Associated Electrical Industries, followed a year later by GEC's merger with English Electric. Since then the company has overshadowed UK heavy electrical engineering.

The profits generated from rationalising the merged group allowed GEC to finance other acquisitions in the 1980s. These have brought it a similarly dominant position in British defence electronics and telecommunications equipment manufacturing. In the past five years, GEC-Marconi has acquired large parts of Plessey's and Ferranti's defence businesses. The group is also the leading UK maker of telecommunications equipment through GPT, in which Siemens of Germany has a 40 per cent stake.

Much of the future of Britain's involvement in the electrical, electronics and telecommunications industries will hinge on the company's performance. The task of finding Lord Weinstock's successor would thus be highly sensitive at the best of times. But it is especially delicate now because GEC is facing as demanding a set of challenges as at any time since Lord Weinstock took the helm.

The group's core, the Marconi defence electronics business, has been badly hit by cuts in defence spending. Even large programmes which it could once have relied upon, such as the European Fighter Aircraft, are becoming precarious. Marconi needs to grow by applying its technology to non-defence markets – but it lacks many of the skills to succeed in the competitive world of consumer electronics.

UK public sector markets – in which GEC has traditionally prospered, particularly telecommunications – are being opened up to competition by privatisation and liberalisation. Also, the world's electrical equipment industry is still suffering from overcapacity, which has forced GEC to consolidate its activities into a joint venture with Alsthom of France.

The way that GEC faces these pressures will turn on how it finds a successor to Lord Weinstock.

The two figures who will be central to the saga of the succession are very different characters.

Lord Prior, a bluff hearty figure, his cheeks rudely red with good health, has spent most of his life as a Tory politician, rising to become employment secretary in Mrs Margaret Thatcher's first government before his last political job as Northern Ireland secretary. He became GEC's chairman in 1984 and is the company's public face.

Lord Weinstock is the private power behind the facade. His influence extends throughout the group

The group is the inheritor of Marconi's work on radio and Whittle's jets

from his dimly lit office on the fifth floor of GEC's dowdy headquarters in London's Stanhope Gate opposite Hyde Park. All the big decisions at GEC revolve around him. With his tall frame bent over his desk in the corner of the office, he is intensely involved in the detail of all GEC's subsidiaries – from how much they pay their employees to how they set their prices.

His chief weapons are a razor-sharp mind and his telephone, which is programmed to put him through to any of his 250 top managers at the press of a single button.

The two Lords say there is nothing to worry about: the succession will be a smooth affair.

Lord Prior insists Lord Weinstock will not dig his heels in. The need for change is fully recognised, he says: "For the past six months, this is something we have done serious work on, we must talk about it at least once a month. We have time to get the right answer and we will do that through agreement."

Lord Weinstock agrees: "There is no disagreement over how this issue should be handled. I will know when my *brain is failing*. My colleagues will come to me when they judge it's time for a change."

Behind the scenes, however, the succession is becoming a highly charged issue, one which could provoke a tug-of-war between the board and the company's top managers.

Three groups are jockeying for position:

- Lord Weinstock and his closely knit team of Stanhope Gate senior managers want the succession to be resolved by evolution from within the company. They are opposed to an outsider being brought in as managing director. They favour the joint appointment of Mr David Newlands, the finance director, and Mr Simon Weinstock, Lord Weinstock's son, who is in charge of acquisitions. Lord Weinstock could become co-chairman, working in a supervisory capacity alongside Lord Prior, to provide advice and guidance when needed.
- A group of dissidents on the board flatly opposes this. They believe GEC needs to be shaken up by new management, to push the company into non-defence markets. These critics believe the board must wrest the decision from the management's grip. They want to break the Weinstock mould by bringing in an outsider as managing director. They would like other GEC executives to take the place of some of the old Stanhope Gate team such as Mr Malcolm Bates, the deputy managing director, and Mrs Sarah Morrison, the head of human resources.
- The balance of power will be held by a small but powerful group of centrists, mainly non-executive directors and institutional investors. They agree with the Stanhope Gate managers that the company needs an evolution in operating management, through the appointment of an insider as managing director. But they would combine this with the appointment of a powerful chairman charged with forging a new strategy for GEC.

The three groups have very different ideas about how the decision should be made.

In spite of its size GEC is run like a family business. Its board plays only a limited role even in strategic decisions such as acquisitions.

Those decisions are taken by Lord Weinstock working with a handful of managers who are intensely loyal to one another. Their main meeting place is in Lord Weinstock's open and informal office.

The door to the adjoining office is always open. The occupant, Mr Bates, can often be heard bellowing criticism and encouragement to other executives. His voices echoes through Lord Weinstock's room as a succession of visitors pass through for conversation around the managing director's desk.

Messengers will come and go from the outside world. Lord Prior will pop in to say he is off to see Mr Malcolm Rifkind, the defence secretary; senior executives of foreign electronics groups may come through on the telephone loud speaker; Mr Newlands and Mrs Morrison are often in attendance. The room is more like a parlour than an office.

One member of the team describes how they work: "An idea will come up over lunch or in discussion, it might come from an outsider, it may come from inside. Everyone will discuss it, not formally but we will all gather perhaps several times to go over it. Then one person will take the responsibility of writing a paper and we will have more informal discussions before making a final decision."

Outsiders, even other senior executives and directors of the company, have walk on parts. Their advice might be requested. But they play no role in taking the decision.

That is how the management would like to choose Lord Weinstock's successor. They would make sure that, through Lord Prior, institutional investors and non-executive directors were kept abreast of their thinking. Having drawn up a plan they would put it to the board. So the final decision would be the board's but the initiative would have come from the management.

This is how GEC normally works. But the succession is different. The board and the non-executive directors in particular believe they have the responsibility of making this decision. Having languished on the margins at GEC for decades, the directors could suddenly be thrust into a position of unprecedented power over an issue vital to the company's future.

Traditionally, the chairman's role at GEC has been largely honorific. According to one board member, not one of those critical of Lord Weinstock: "GEC has traditionally treated its chairmen very badly indeed. It has taken the management a long time to accept that the chairman has a real role."

Lord Prior says it has taken him some time to develop a good working relationship with the management. Even now he describes the job in equivocal terms. "I am not a non-executive chairman but I am not executive either," he says. "I am more and more doing the job that most full-time chairmen do. It has taken a number of years for Arnold and myself to develop a relationship which works, but it now works very well and it has great significance for the company."

It is extremely rare for Lord Prior to delve into the company's inner workings, but management accepts that Lord Prior must play a pivotal role in deciding the succession, acting as liaison between the management, shareholders and the board.

The GEC board gathers only four times a year. Meetings, which on average last only about ninety minutes, bring together the Stanhope Gate group and an eclectic mix of 12 non-executives which includes Lord Rees-Mogg, former editor of the Times, and Mr Tony O'Reilly, chairman of Heinz. The non-executives are neither a cohesive nor powerful group. They have only just started meeting together for dinner the night before board meetings.

One disgruntled executive director describes the meetings: "Everything is as clean as a whistle. Apart from the legal documents, there are no papers circulated in advance, other than a single line on the financial performance of each of the subsidiaries.

"After the formal legal business has been dealt with, Lord Weinstock goes through the quarterly results of each of the operating companies. Some people might challenge him on details, but they simply do not know enough about the companies to get very far. After that it is any other business."

A small group of directors – no more than four – believes the time has come to assert itself over the choice of Lord Weinstock's successor. This group will not publicly criticise Lord Weinstock's management style. But in private its members make no bones about their unhappiness.

They allege the Stanhope Gate group will perpetuate its own power if the decision is left with it. They accuse current management of holding GEC back through excessive caution and short-term thinking, restraining its potential to grow outside its traditional markets.

A non-executive director, well informed about the way GEC works, comments: "A sub-committee of the chairman and the non-executives should be set up in the next six months charged with the task of finding a successor, including an executive search of outsiders. We should look for someone who can inject new drive into the company, to push it into new markets."

The critics claim there would be a haemorrhage of management from the operating units if Mr Simon Weinstock got the top job. They say it would send a signal that family comes before merit at the top of the group.

Those criticisms provoke an equally forceful response from Lord Weinstock and his team. They argue the non-executives know virtually nothing about the company and so could not be in a position to choose a successor on their own.

Any attempt *by the non*-executives to set off on a trawl of talent from outside would spark outright conflict between management and board. Indeed the Weinstocks might even threaten to sell their shareholdings in GEC – more than 39m shares, about 1.4 per cent of the group and more than the entire holdings of the GEC employee savings share scheme – to display their displeasure.

The group faces challenges as demanding as any *since Weinstock* took the helm

As one senior executive explains: "We want to do this through consensus ... there is no question of a putsch at GEC."

That last judgment is almost certainly correct. Though the critics claim a secret ballot of the board would deliver a slim majority in favour of change, in reality they are a powerless, underground minority.

The dissidents, however, are not the only problem the executives may have to deal with. The centrists, backed by GEC's institutional shareholders, could well exert a powerful influence.

This group recognises the strength of the case for continuity and acknowledges the current management team's considerable achievements. GEC has been steered clear of many of the financial and technological black holes which have claimed its peers and competitors. It is financially as sound as a bell.

On top of this, the centrists recognise that if an outsider were given the power that Lord Weinstock has enjoyed, GEC might be ruined by ill-fated ventures into consumer businesses the company knows little about.

However, they also believe continuity needs to be combined with change. As far as the company's strategy is concerned, that means investing the profits from GEC's joint venture with Alsthom to exploit the potential of Marconi's vast wealth of technology. From the point of view of the succession, it means combining a managing director from inside the company with a strong chairman from outside.

The key figure in the centrist camp will be Mr Ron Artus, the *former group chief investment manager* at the Prudential, which remains GEC's biggest shareholder with 7 per cent of the equity. If the Weinstock team can afford to alienate the dissidents, it cannot afford to alienate Mr Artus, who has an analytical mind and an independent spirit – and a seat on the Prudential board. His appointment as a non-executive was Lord Weinstock's idea. As a member of the Stanhope Gate group put it: "Artus did not arrive from heaven. He was brought in as an independent figure, to make sure the City would see the succession was being handled properly."

Central to the succession will be whether Lord Prior, Lord Weinstock and Mr Artus can agree a plan.

In this Mr Artus will not be a soft touch.

He has just completed an international tour to assess the group's strengths and weaknesses. Separately the Prudential has recently completed an exhaustive six-month study of GEC's prospects.

The centrists believe some quite far reaching changes are needed in the way GEC operates. As a leading *centrist on the board* puts it: "At the moment GEC looks as if it is becoming a defence electronics businesses with a few niche industrial businesses tacked on the end. That is fine but it is not a major electronics group, which is what GEC should be, playing in major markets. You do get the impression that there is potential which could be made more of without risking the financial safety which GEC is famous for."

The centrists hold two positions which could lead them into direct conflict with Lord Weinstock.

First they insist there is no question of Mr Simon Weinstock succeeding his father as managing director. It is understood that GEC's main institutional shareholders have made it clear that though they view the younger Weinstock as a skilled and hardworking member of the management team they would oppose his appointment because they feel that, in a public company, a father should not be succeeded by his son. They would prefer Mr Newlands as sole chief executive.

Second, the centrists rule out the possibility of Lord Weinstock becoming chairman, for it is here the institutions see the opportunity for change. Lord Prior is 63. If he were to retire soon, that would cre*ate the space to bring in a chairman* who would play a more assertive role in deciding the company's strategy.

He would be charged with building an executive team which reported to a stronger board, with more executive directors from the GEC divisions, outside Stanhope Gate. The institutions' favourite candidate is Sir Christopher Hogg, chairman of Courtaulds and Reuters.

A top executive with one of the largest institutional investors sums up their approach: "There is no need for dramatic upheaval. We certainly do not want to bring in a big deal maker who would mis-spend GEC's money.

"We want a chairman who is good at strategy and building a management team at board level, combined with an operating officer from within the company. The question should be settled through consensus with Lord Prior consulting non-executives, shareholders and the management. If they could organise that kind of orderly succession GEC shares would rise quite sharply."

So it seems increasingly likely that Lord Weinstock will be faced with a painful choice. He is used to wielding almost absolute power – but on this he is likely to have to *compromise with outsiders.*

To secure continuity and stability at the top of the company, he will have to satisfy the centrists. To do that he is likely to have to pay a price, forgoing his own ambitions to become joint chairman and accepting that an outsider should be brought in, armed with a mandate for change.

David Newlands — Malcolm Bates — Simon Weinstock — Lord Prior

Who's who in choosing a successor

THE FAVOURITE: David Newlands
The 45-year-old Scottish finance director fills the shoes of Sir Kenneth Bond, Lord Weinstock's right-hand man during the the 1960s. He is being groomed for the top. He used to work for Saatchi & Saatchi, the advertising agency, and became closely acquainted with GEC as the accountant at Touche Ross handling its accounts. Mr Newlands has taken an increasingly high profile at budget meetings. Institutional shareholders like him.

THE DEPUTY: Malcolm Bates
He works in the adjoining office to Lord Weinstock, often negotiating the detail of contracts and acquisitions. The stockily built 58-year-old became Lord Weinstock's deputy in 1983, but is thought unlikely to succeed him. He was managing director of Delta, the British engineering group, before joining Labour's Industrial Reorganisation Corporation in the late 1960s. He joined GEC in 1976. Studied at Harvard and Warwick University before going into industry.

THE CENTRIST: Ron Artus
The 60-year-old former *group chief* investment manager of the Prudential, GEC's largest shareholder, joined the board in 1990. He will play a pivotal role in deciding the succession, liaising between the board and shareholders. Analytical and independent, he shares Lord Weinstock's interest in classical music, collects English watercolours and is a lifelong cricket fan.

THE SCION: Simon Weinstock
Lord Weinstock's 40-year-old son looks more like his father the older he gets. He shares his intense shyness and his interest in horse racing. Joined GEC in 1983 as commercial manager, having held a range of jobs with SG Warburg, the mer*chant bank. Joined board in 1987* and is renowned for his work rate.

THE POLITICIAN: Lord Prior
Born in Suffolk, Lord Prior served in the army in India and Germany before becoming MP for Lowestoft in 1959. Approachable and relaxed, he will be central in managing the succession.

BRIEFS...

KIER MINING has been awarded a £6m contract from British Coal (Deep Mines) for the Holditch Colliery tip coal recovery project at Newcastle-under-Lyme, Staffordshire.

The contract is to design, manufacture, erect and commission a 600 tonne per hour washing plant to be operational by the beginning of September. A total of 3m tonnes of colliery waste will be washed producing 300,000 tonnes of clean coal.

* * *

FITZPATRICK has been awarded a £4m design and build contract by Peaston & Co (North London) for work on the Holloway Arcade site in Holloway Road, London N7.

The work comprises the demolition of the Holloway Arcade and the building of a 370-bed student accommodation for the Polytechnic of North London, together with 15,000 sq ft of shopping space.

* * *

ROOF has secured two social *housing projects with a combined* value of just over £3m. A 70-week contract to convert and extend four mansion blocks at Gosfield Street, London W1, for Community Housing Association will provide 2 four-bedroom and 4 two-bedroom maisonettes with 4 two-bedroom and 26 single bedroom flats.

A 52-week contract for Presentation Housing Association at Alexandra Drive, London SE19, comprises the design and erection of a four-bedroom, 4 three-bedroom and 3 two-bed*room houses and 12 single bed*room flats.

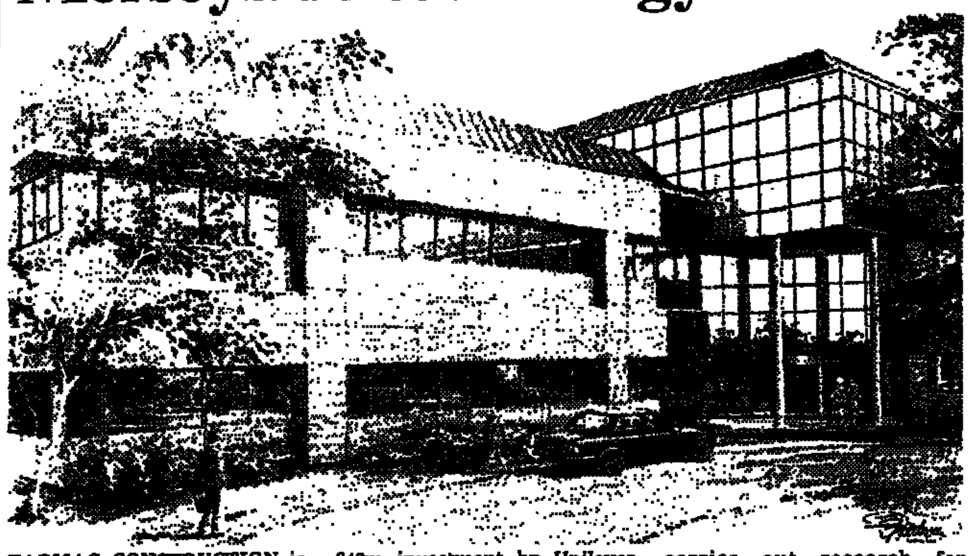
* * *

SULZER INFRA (UK) has won a £1.25m contract to design and install mechanical services at the new club house at the Oxfordshire Golf Club at Thame.

The two-storey building forms part of a new 18-hole championship golf course being developed by the client, Nitto Albion.

BUILDING CONTRACTS

Merseyside technology centre



TARMAC CONSTRUCTION is to build a £23m manufacturing technology centre for Unilever on Merseyside.

The centre will be at the Unilever research laboratory at Port Sunlight, Wirral. When completed and fully equipped in two years, it will represent a £40m investment by Unilever on Merseyside.

The complex will include *offices and laboratories* on three floors, a pilot manufacturing plant on two levels and a separate five-storey test building.

The Port Sunlight laboratory carries out research for Unilever's worldwide business in detergents, chemicals and personal products such as toothpastes, skin creams, deodorants and shampoos.

The new centre will be situated adjacent to the existing Unilever research laboratory.

Docklands infrastructure project

A major infrastructure contract has been awarded by the London Docklands Development Corporation (LDDC) and Thames Water for the construction of a sewer on the Isle of Dogs.

The contract, which is believed to be the largest awarded in London Docklands for two years, has been placed with MILLER CIVIL ENGINEERING and is worth in excess of £11m, although overall project costs are in the order of £21m.

Construction of the sewer *will commence* at Prestons Road roundabout on the Isle of Dogs and will terminate at Thames Water's pumping station at Abbey Mills. It will be constructed as a tunnel, 2.4 metres in diameter, 2.7 kilometres in length and will be built at an average depth of 14 metres.

The project is due to start in July and work is expected to be completed by spring 1994.

Offices development in Nottingham

WIMPEY CONSTRUCTION'S Nottingham office has secured a £9.5m contract to build an office development on Chaucer Street in the centre of the city.

The 26,000 sq metre seven-storey project for Pickering Developments includes a 19,000 sq metre underground car park. With spaces for 600 vehicles on four levels, parking will be for local shoppers as well as the building's occupants. The steel-frame development will be topped with a pitched timber frame roof and clad in slate and metal sheeting.

Central to the project is a 15 metre high atrium creating a 40 metre long glazed walkway which brings natural light to the heart of the building.

The block is enveloped in reconstructed stone and brickwork and features aluminium windows The 20-month contract also comprises heating and ventilation services, fire alarm systems and lifts.

£12m awards for Trafalgar House

The regional business of TRAFALGAR HOUSE CONSTRUCTION has won contracts worth almost £12m for civil engineering and building work.

This includes over £5m worth of civil engineering contracts involving four contracts from South West Water Services and Severn Trent Water for sewage treatment works in Devon and Cornwall as well as various reclamation and mechanical/electrical contracts in Nottinghamshire.

Another £1.2m is for road construction in Surrey, remedial works on the Tay road bridge, parking at Purfleet Thames terminal and paving repairs at Tilbury Docks in Essex.

Over £2m worth of retail awards have been confirmed for projects in the Midlands and north east of England plus a new supermarket in the Isle of Man and two design and construct contracts for physical training centres.

PEOPLE

FNFC attracts Ingram back home

There will be some who raise their eyebrows at Tim Ingram's decision to chuck up a good career in a beautiful place like Australia and return to the UK to take on the job of finance director of loss-making First National Finance Corporation.

However, Ingram feels he is making the right move. At 45, he says that it is too late to emigrate. Having joined Grindlays Bank after leaving Cambridge in 1969, he spent much of his early life running the bank's operations in outlandish places like Zaire, Greece and *Cyprus*.

After ANZ Bank bought Grindlays, he moved to Australia and was put in charge of its A$15bn commercial loan port*folio. But with two children at* school in England he felt the urge to return and was tapped for the job by Martin Mays-Smith, *FNFC's new chairman* and a former colleague from Ingram's early Grindlays' days.

Ingram is not an accountant. But Tom Wrigley, FNFC's 55-year-old chief executive, sees nothing unusual in having a banker as finance director. "The critical part of our operation is on the liability side of the balance sheet," says Wrigley, who is hoping that Ingram will provide fresh expertise in developing new areas of funding such as securitisation of assets.

Keith Dalwood, 59, FNFC's *finance director for the past* three years, will continue as a director.

Sir Trevor Holdsworth, the distinguished industrialist, has agreed to join the advisory board of UK strategic consultants LEK Partnership.

LEK's board already boasts plenty of eminent names – including Lord Boardman, the former chairman of National Westminster and Lord Carr of Hadley, home secretary during part of the Heath government. *But to date there* has been no-one who could match Sir Trevor's industrial background.

While Sir Trevor will not be offering the benefit of his wisdom direct to LEK clients, the consultants reckon that having the "very serious and profound knowledge" of the former GKN chairman and CBI president on call will help counter any charges that strategists are better on theoretical rather than on practical questions.

Sir Trevor is also chairman *of National Power.*

■ Arthur Andersen partner Ian Plaistowe has been appointed a deputy chairman of the Financial Reporting Council, the *government-sponsored body* which promotes good financial reporting.

Plaistowe, 49, is chairman of the Consultative Committee of Accountancy Bodies and President of the Institute of Chartered Accountants in England and Wales. He succeeds Ian McNeil, 59, a partner in Moores Rowland of Brighton.

The Financial Reporting Council was established in March 1990 and is chaired by Sir Ron Dearing. It oversees the arrangements for the Accounting Standards Board and the Financial Reporting Review Panel and was set up as the first step towards implementing a new structure for setting and enforcing accounting standards as recommended in the 1988 Dearing Report.

■ The reshuffle of BRITISH AEROSPACE's top management team continues apace. Brian Cookson, the legal director, and Frank Saundry, the personnel director, have retired and Richard Lapthorne, the new finance director, joins the board this week.

The retirement of Saundry and Cookson, who are both in their 60s, has given BAe's new chairman John Cahill a chance to remould his executive team. Saundry has already been replaced by Rob Meakin, although he has not been given a seat on the board, and a new legal director is being recruited. It is also expected that Hugh Colver, head of information at the MoD, will join BAe on the defence side.

■ **Graham Bond**, treasurer at Nuclear Electric, has been appointed group treasurer at YORKSHIRE ELECTRICITY. *He replaces* **Euan McGregor** who is now divisional director of Yorkshire's new ventures.

■ **Charles Allen**, chief executive of GRANADA's leisure division, has been appointed to the group board.

■ **Roger Williams**, company secretary, has resigned from GALLIFORD because of ill health; **John Livingston**, finance director, has taken on the additional responsibility.

■ **Bill White**, chief executive of API Security Inc, ASH's American operations, has been appointed to the board of AUTOMATED SECURITY (HOLDINGS).

■ **Roland Lewis**, who has been part-time finance director of RESORT HOTELS since 1985, has been appointed to the post full-time.

■ **Ian Barr** has been promoted to finance director of COOKSON.

■ **John Barnard** has been appointed a director of HARRISONS & CROSFIELD.

■ **John Coleman**, chairman of SMURFIT Continental Europe, is to become president when **Dermot Smurfit** becomes chairman and ceo in September.

■ **Michael Arnaouti** has been appointed company secretary of BOWTHORPE, on the *retirement of Edward Cox.*

Computer speak

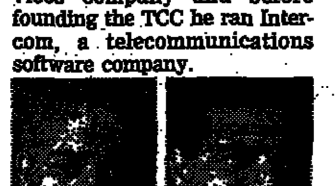
Computers which understand spoken English and reply in kind have hitherto been the stuff of fantasy; now they are fast becoming a reality.

Jeff Fishel is co-founder and managing director of a new UK firm – the Talking Computer Company – which markets a personal computer designed to appeal to executives who *object to keyboards. Fishel and* co-founder Len Palladino say there is powerful interest in their machine, a personal computer which accepts commands and gives responses in natural language.

The £12,500 computer itself is comparatively orthodox,

but a training session is necessary to accustom the computer to the voice of each individual user.

Fishel (above left) has experience both of telecommunications and computing; he was country manager in Germany for a French computing services company and before founding the TCC he ran Intercom, a telecommunications software company.



Palladino (above right), a US citizen, spent four years as European vice-president of Alpha Microsystems following senior positions with General Automation and Northern Telecom.

TCC's director of technology, Kit Smith, is also technical director of Aptech, which is providing the technology behind TCC's speech recognition methods.

■ **Jamie Minotto** has been appointed md of PEGASUS SOFTWARE.

■ **Roy Davis** has been appointed operations director of TRICOM; he moves from Wyatts. **Mike Burgess** is promoted to product marketing director.

■ ***Jeff Barnes*** has been appointed md of NOVELL UK and its director north west Europe; he moves from International Software.

■ **Roger Webb** has been appointed a director of SHERWOOD COMPUTER SERVICES.

■ **Roger Allen** has been appointed to the board of NCR.

■ **John Bateman**, formerly md of SD-Scicon, has been appointed md of EDS-SCICON.

Opera/Max Loppert

Il viaggio a Reims

This *pièce d'occasion* was devised by Rossini to celebrate the 1825 coronation of Charles X, allowed to disappear into obscurity immediately afterwards (with much of its music redeployed in *Le Comte Ory*), and then re-discovered after a gap of nearly 160 years.

The first ever Royal Opera production has been mounted to mark several milestones. One is the composer's own 200th anniversary, which fell on February 29. (In the opera's finale, originally a hymn to Charles X, the name of Rossini replaces the king's in Balocchi's libretto and on the singers' lips, while his bust set atop a circling globe descends from the flies.) Another is the start of Britain's tenure of the EC presidency. A third is the launch of the six-month-long, cross-Britain European Arts Festival linked to the presidency; the festival administration sponsored Saturday's big screen relay in the Covent Garden piazza.

These are all worthy ventures, significant occasions in their own right, so it is painful to have to report that three hours and 15 minutes of the most god-awful tomfoolery are being dished up for their benefit. In brief, the work is reduced in John Cox's production and Mark Thompson's designs to a series of bone-achingly tedious farcical sketches; the peculiar beauty, verve, charm and delicacy of the music are positively scarred by the stage routines.

The excitement of the *Viaggio a Reims* re-discovery lay in large part in the delighted recognition that the *cantata scenica* was no sample of "occasional" artificiality but a fabulous piece of Rossinian compositorial ingenuity and, furthermore, a light-as-air comic divertissement, set in a spa hotel, with two substantial linked purposes at its core. These were the celebration of the coronation via the singing powers of ten of the Italian vocal virtuosos of his day; and the creation of a vision of human peace, concord and harmony that makes the work at once historically special and universal.

Covent Garden have undertaken their interpretation of these purposes with perfect wrongheadedness. The casting of the ten principal roles is, to put it bluntly, inadequate; and the light-as-air comedy is transmogrified into a tacky hotel caper firmly rooted in tired musicals and telly spectaculars equally.

There are two John Coxes. Jekyll-Cox is a civilised and intelligent producer capable (in the Glyndebourne *Capriccio* and ENO *Cosi*) of elegant ensemble performance. Hyde-Cox is a farceur capable (in the Glyndebourne *Cenerentola*) of the most coarse-grained vulgarity.

The *Viaggio* producer is Hyde-Cox, inventor of a string of much-repeated sight-gags: the exercising spa-patron gag, the dancing bellhops in yellow gag, the revolving door gag, the hooped petticoat gag, the hat gag, the apple gag, the English milord with his Scots flautist (!) gag, the St Trinian schoolgirls in specs with bowls of flowers gag, the luggage gag, the can-can gag, the Danish flag gag, and so on and on and on. (There is no Maastricht gag: some mistake surely . . .)

The idea that the notes and words could serve as the opera's dramatic vehicle seems not to have entered Cox's head. The costumes are loudly coloured, extravagantly cut and typescreaming "Comic Character!" so frenetically that any effort at wit or vivacity of delivery on the part of the people inside them is rendered entirely nugatory.

"A tacky hotel caper": Della Jones , Montserrat Caballé, and Gregory Yurisich in Il viaggio a Reims

My guess is that people who come to know the opera through this first Covent Garden staging – rather than through the 1984 DG "premiere" recording or the Guildhall School's enchanting 1987 student production – will come to wonder why the company wasted time, energy and money on tackling it at all. After the Guildhall performance I wrote that it seemed "likely to leave (at least) one London Rossinian with a blissful smile on his face for days afterwards"; the opposite can confidently be predicted of this Covent Garden experience.

Two of the ten principal singers might be called native Rossinians (though both seem some way beyond their best singing days): Della Jones as Melibea and Montserrat Caballé as the hotel *patronne*. Mme Caballé indulges in an ad lib relationship with the audience that begins amusingly but soon turns embarrassing; I feel sorry that this undignified, vocally fragile appearance may well provide the house with its final memories of one of the century's great singers.

The rest can be catalogued as follows: one tenor (John Aler) of at least neat, musicianly vocal style, two sopranos (the gorgeous-toned Renee Fleming, the gently musical Sylvia McNair) who might in other circumstances have been guided to less unconvincing Rossini vocal manners, one hugely promising bass (Alastair Miles) no less ill-served – and a group of admirable Anglo-Saxon singing-actors entirely out of their *Fach*.

The fact that there are no Italians in the cast is a general error and a particular weakness in the case of the buffo roles. The conductor, Carlo Rizzi, *is* Italian, and a trimly energetic musician – but also an unloving one, who rushes the ensembles unmercifully and who finds neither grace nor gaiety in Rossini phrasing. The Royal Opera have offered a run of high-quality performances this season. Sad that it should be broken, and the season concluded, with this absolute turkey.

Sponsored by Friends of Covent Garden; in repertory until July 17.

Architecture/Colin Amery

The master of pleasing decay

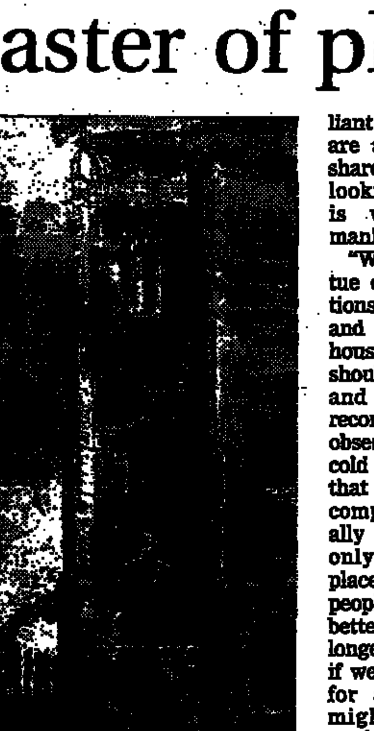
John Betjeman called him the most intelligent man in England, John Russell called him an aesthete and a moralist, and at his 80th birthday retrospective at the Tate Gallery in 1983, Alan Bowness praised him for "his enthusiasm, open mindedness, his good sense, his natural modesty and his excellent taste".

There is no doubt that John Piper, who has just died aged 88, was much more than a topographical painter. He was a creator as well as an observer and, by the end of an incredibly full life he had established his own vision of England. It is a vision that still counts because it interpreted so many romantic and poetic strands of viewing the essence of English architecture and landscape.

Piper's own words sum up his mission far better than any words from a mere critic. "My aims in painting are to express a personal love of country and architecture and the humanity that inhabits them, and to increase my own understanding and nourish my own love of the work of other painters of the past and the present."

These aims applied as much to his work as a writer, stage designer and as a remarkable architectural photographer. Although he was determined to master as many varieties of artistic media as possible – printing, lithography, aquatints, pottery, photography, stained glass and engraving – it was all in the service of recording landscape and architecture. Anyone who has looked at architecture in England sees it partly through the eyes of John Piper.

This year has been a sad one in the toll of deaths of some key figures in the English architectural world. Not least was the death earlier this year of Sir James Richards, the man who, as editor of *Architectural Review*, was a friend of John Betjeman, John Piper, Osbert Lancaster and many others who combined their talents in the pages of that magazine. Sir James Richards was always known as JMR when he was on "*The Archie*". He gave me my first job in architectural journalism and remained a quiet friend over the years, always encouraging and giving thoughtful advice. It was JMR who first introduced John Piper to John Betjeman and encouraged their collaborations on the Shell Guides to British counties; he also published the work of both of them in the *Architectural Review*.



"Three Suffolk Towers", 1958, by John Piper

In the Shell Guides – and also in some of Murray's Architectural Guides – it is sometimes hard to separate the contributions of Betjeman and Piper; but John Piper's brilliant architectural photographs are always distinctive. They shared the same approach to looking at England and it is worth recording their manifesto:

"We still believe in the virtue of making clear our reactions to buildings and to towns and villages. We believe that houses and churches do, and should, inspire love and hate, and that it is worthwhile recording the reactions of two observers, instead of making a cold catalogue. We are aware that this puts us in some bad company; and that occasionally our remarks, made after only one or two visits to places, will very likely offend people who know those places better and have looked at them longer; but we shall be content if we succeed in inspiring love for a few buildings which might otherwise receive neglect, or a cold, impartial revaluation." Not a bad creed for any writer, artist or photographer.

It was Piper with his almost unnerving feeling for places who made us look at English Romanesque sculptures; the austere churches on Romney Marsh; the English seaside, especially Brighton; the isolation of the Isle of Portland; and the lush classical beauty of Stowe. I think it was the sombre painting of Seaton Delaval, that marvellous Vanbrugh house on the Northumberland coast, that first inspired my affection for Piper's work. His thunder clouds and lowering skies that lurk over the paintings of Windsor Castle commissioned by Queen Elizabeth brought forth the comment from King George VI: "You didn't have much luck with the weather, Mr Piper."

Piper created a romantic world that often echoed his own enthusiasm for what he called "pleasing decay". This is a world where buildings are beginning to go back to nature, where they have that picturesque character that Ruskin called "parasitical sublimity". This is a sublimity caused not by the inherent character of the building or ruin, but by something external to it. Piper's views of bomb-damaged buildings in Bath or of uncleaned and unrestored Oxford buildings both show the romantic nature of decay.

Piper had strong views on restoration and cleaning and I am not sure that he would have been entirely sympathetic to some of the activities of English Heritage or the National Trust. He would have seen the point of leaving Stonehenge to fend for itself and of making houses stable, but not over restored. But this enthusiasm for the intangible atmosphere of the past nourished a creativity that made a lot of new works of art. The Eton College chapel windows are a brave essay in abstraction, while being completely in tune with the ideas of medieval stained glass. At Coventry Cathedral, the Baptistry window has a memorable presence that is almost theatrical.

Perhaps it is that Coventry window that seems to burn brightest with John Piper's extraordinary energy. He never stopped working, looking, talking and enthusing about the glories of England. There are more than 5,000 of his beautiful photographs in the archives of the Tate Gallery and any sadness at his death can be tempered by gratitude for his enduring vision. He did achieve what Betjeman saw as his mission in the 1940's, "to weld closer together his deep, learned and poetic love of England with his clearly formed principles of what a picture should be".

Sponsorship/Antony Thorncroft

A business partnership

"Arts sponsorship is more effective than advertising – we have measured it." Geoff Shingles is chairman of Digital, the computer company, and the most committed corporate sponsor of the arts in the UK. Despite a difficult trading year, which has led to redundancies, Digital has raised its sponsorship budget in 1992 by 10 per cent to £550,000. "But on top of that", says Shingles, "you must spend £1.50 on promotion and entertainment to make every £1 work".

Digital spends the money other companies invest in corporate advertising on arts sponsorship. It started in 1986, when it came to the aid of a beleaguered Sadler's Wells (nothing changes) and chose dance as an under-exploited arts form with which it could make a big impact.

The focus on dance continues, but Digital has diversified into supporting the theatre, especially the Royal National, and the visual arts, with a touring Turner exhibition.

Shingles does not regard Digital's support as altruistic. "Sponsorship is a straightforward business decision. When I'm criticised for paying the wages of dancers while computer staff are losing their jobs I say that by supporting the dancers I'm saving more jobs at Digital."

Quite simply Digital has used dance in particular to meet the key personnel that are influential in buying its systems. It targetted 8,000 of them in 1986 and has now had the opportunity – through sponsorship – to meet over 6000 in agreeable surroundings. "I reckon it has worked out at around £1,000 a contact". Some of those contacts have led to profitable new business.

Digital UK's success with the arts has been taken up by Digital companies in Europe. Next month 140 young musicians gather in Luxembourg to rehearse for the summer tour of the European Community Youth Orchestra. This year the ECYO is in over-drive, visiting eleven countries, culminating on New Year's Eve at London's Barbican for a special concert to mark the opening of the Single Market.

The ECYO is backed by the European Commission, and member countries, but its main cash lifeline is Digital, which has increased direct backing from £70,000 in 1987 to £700,000 for this tour. By the end of 1993 the company will have invested £2.5m in the orchestra, plus an even larger sum devoted to support services.

The aim is the same – entertainment opportunities. Last December, Digital guided the ECYO to Russia, to help it meet the right people as it established offices in Moscow and St Petersburg. "Music is a common currency. Its image is universal", says Shingles, something which cannot always be said of advertising.

Of course there is also a promotional spin off. The company's name has become better known through the sponsorship and it feels that by backing a range of dance, including contemporary, rather than a safer arts form, its image is seen as livelier than that of the competition.

In the last ten years Digital has doubled its market share. Shingles is not soft hearted about sponsorship. "Things run their course. I tell the arts companies 'this is not philanthropy; not charity, but a business proposition'." So the time will come when Digital explores other avenues. Indeed,it is having a brainstorming session to drum up new ideas this month. But in the UK it is committed to the end of 1994 and it would be surprising if Digital abandoned its reputation as a partner of the arts.

★

British Telecom must be the most cultivated sponsor in the country: cultivated by worthy causes that is. It is a dull arts outfit, to say nothing of sports club, charity, hospital, etc., that does not want to lay its hands on a little of the company's £3bn annual profit.

BT devotes half of one per cent of this, around £15m, to good causes. The arts has just gained another chunk through a £1m, over three years, sponsorship of the National Touring Exhibitions, organised by the South Bank Centre on behalf of the Arts Council.

The touring exhibitions, which bring great art to small towns, started during the Second World War in an effort to raise morale. Currently on the road, in Jarrow, is "Ready, Steady, Go", paintings of the 1960s. Forthcoming attractions include "Flora Photographica", a show of flower photographs.

The BT money will help to promote over 60 touring exhibitions in the next three years, with the aim of raising awareness – and audiences. It is BT's largest arts sponsorship and sits alongside its much criticised "New Contemporaries" shows.

★

As well as national penetration, educational projects retain their appeal to sponsors. RTZ Corporation has just announced one of the largest schemes, embracing five institutions – Guildhall School of Music, Royal College of Art, the Royal Academy of Arts, Lilian Baylis Youth Dance Company, and the Centre for Young Musicians – and extending over three years. Each group will receive £60,000. The money will be mainly devoted to scholarships and masterclasses and, in the case of Lilian Baylis, the creation of a new youth dance company.

In addition, the five will pool their talents in October for a week long arts festival at St James's Piccadilly to showcase their work. This will cost a further £70,000, of which £40,000 comes from the Business Sponsorship Incentive Scheme.

★

BMW is one company planning to increase its sponsorship budget – currently around £50,000 – next year. Its aim is to cover the country with prestige events that its distributors can use for entertaining clients.

The next will be at the King's Theatre Edinburgh in September. BMW is putting up the £10,000 needed to make viable the Royal National Theatre's week-long visit with *The Madness of George III*, starring the award winning Nigel Hawthorne.

★

McDonald's is putting up £45,000 to sponsor *Dick Whittington*, the Christmas panto at the Nottingham Playhouse. It is believed to be largest ever sponsorship of a pantomime.

The Playhouse is also boosted with £100,000 from Home Brewery to support its next two seasons. This follows on from the £50,000 that the local Home Brewery gave the Playhouse in 1991.

INTERNATIONAL ARTS GUIDE

FESTIVALS

AVIGNON
Avignon is one of many festivals gripped by Spanish fever this year. Lluis Pasqual's production of Le Chevalier d'Olmedo opens the festival on Fri at the Cour d'Honneur du Palais des Papes, and runs daily (except next Tues) till July 19. A French version of Cervantes' Le Siège de Numance opens at the Cloître des Carmes on Sat, running daily till July 18. A new play on a Mexican theme by Georges Lavaudant has its premiere on Sat at Les Taillades. There will be four performances later in the month of Pasqual's compilation of Lorca texts, entitled Los Caminos de Federico. The festival also has a strong focus on traditional Latin American music, including a series of Mexican dance evenings at the Cloître des Célestins opening on Sun. Ends Aug 3. (90) 862443

BAD KISSINGEN
This is the final week of this year's Kissinger Sommer music festival, 70 km east of Frankfurt. Guy Touvron is soloist in tonight's programme of baroque trumpet concerts played by the Amadeus Chamber Orchestra. Barry Douglas gives a piano recital on Wed, and Nancy Argenta heads the cast in a concert performance on Thurs of Handel's Theodora.

On Fri and Sat, the Orchestre Philharmonique de Radio France gives concerts conducted by Marek Janowski, with Jean Philippe Collard and Frank-Peter Zimmermann as soloists. Danish baritone Boje Skovhus gives a Lieder recital on Sun morning.

The closing concert on Sun evening is given by the Munich Radio Orchestra, with soprano soloist Eva Marton. (971) 807110

GLYNDEBOURNE
The final three weeks of this year's festival are devoted to Death in Venice, Jenufa and The Queen of Spades.

Robert Tear is Aschenbach in the Britten production (tonight, Thurs and Sat).

The Janacek (tomorrow and Fri) has been described as one of Glyndebourne's most successful productions of recent years, thanks to Yakov Kreizberg's conducting, Nikolaus Lehnhoff's staging and a cast led by Roberta Alexander and Anja Silja.

The Tchaikovsky (Wed and Sun), staged in tough theatrical terms by Graham Vick, also comes over with overwhelming force, thanks to Andrew Davis' conducting, the playing of the LPO and a cast led by Nancy Gustafson, Sergey Leiferkus and Yury Masurin. Ends July 24. (273) 541111

KREUTH
The Musikfest am Tegernsee, set in a picturesque lakeside resort in the southern Bavarian Alps, hosts a series of high-powered chamber concerts this week, beginning with a viola recital by Yuri Bashmet this evening.

Martha Argerich and Alexander Rabinovich play piano duos tomorrow, followed on Wed by a recital of Beethoven cello sonatas by festival organiser Natalia Gutman, accompanied by Eliso Virsaladze.

The Hilliard Ensemble gives a concert of medieval love songs on Sun, and the Borodin Quartet plays Schubert and Brahms next Mon. Ends July 14 (8029) 1819

MONTREUX
Tonight's programme at the jazz festival is entitled Africa! Africa!, and features unique European performances by Caiphus Semenya and Letta Mbulu, Mango Groove, the Sarafina Kids and the Tony Cedar Group, which backed Paul Simon on his world tour earlier this year.

Randy Crawford and the Latin American All Stars appear tomorrow, followed by the Blues Brothers Band on Thurs. The weekend programme consists of Albert Collins and the Icebreakers on Fri, Gladys Knight on Sat and Eric Clapton on Sun. Next Mon: Ringo Starr's All-Starr Band and Joan Armatrading. Ends July 18. Tel (21) 963 8282

ORANGE
This year's performances in the open-air Théâtre Antique are Carmen with Kathryn Harries, Neil Shicoff and Barbara Hendricks (July 18 and 21), a Berlioz concert with Isabelle Vernet soprano soloist (July 20) and Il trovatore with Sharon Sweet and Lando Bartolini (Aug 8 and 11). (90) 518383

SAVONLINNA
The Savonlinna Opera Festival, set in the imposing surroundings of Olavinlinna Castle, is celebrating its 25th anniversary. This year's programme consists of Fidelio, Aida, Die Zauberflöte and Porgy and Bess.

The new production of Fidelio (tomorrow and Fri) is staged by August Everding and conducted by Leif Segerstam. Aida (Wed, Sat and next Mon) has a cast of distinguished Finnish singers, including Matti Salminen, Tom Krause and Jaako Ryhänen.

This year's ballet production is Romeo and Juliet, choreographed by Laszlo Seregi (tonight, Thurs and next Tues). Arleen Auger is scheduled to give a recital on Sun and next Tues. Ends July 31. (57) 514700

SCHLESWIG-HOLSTEIN
Festival director Justus Frantz is conductor and piano soloist in this week's concerts by Sinfonia Varsovia in Wotersen (tonight), Lubeck (tomorrow), Rendsburg (Wed) and Altenhof (Thurs, with Thomas Zehetmair violin soloist).

Hartmut Haenchen conducts the CPE Bach Chamber Orchestra in concerts at Rellingen (tonight), Nieblum (tomorrow) and Itzehoe (Wed), featuring the alto soloist Jochen Kowalski.

At Neumünster, Lorin Maazel conducts the festival orchestra in a concert performance of Fidelio on Thurs and Beethoven's Ninth Symphony on Fri.

Weekend concerts are given by the Labeque Sisters and the Moscow Kammerakademie. Ends Aug 23. (431) 567080

SPOLETO
The final week of the Festival of Two Worlds in this Umbrian hill town includes three performances (tomorrow, Thurs and Sun) of Donizetti's Le Duc d'Albe.

The other main operatic offering this year is Die Meistersinger von Nurnberg, of which there are two final performances on Wed and Sat.

The dance programme continues with a visit by the 60-strong American company run by Bill T Jones.

Their first show, Uncle Tom's Cabin, is a multi-media fresco featuring dance, drama and songs, based on a jazz and blues score by Julius Hemphill (tomorrow, Wed and Thurs at San Nicolo).

The company's second show, to be staged in the Roman amphitheatre (Fri, Sat, Sun) is an anthology of choreographies entitled La Grande Fête. There are also daily concerts on the piazza and an exhibition devoted to the French Symbolist painter Gustave Moreau. Ends July 14. (6) 3210 288

TANGLEWOOD
The Boston Symphony Orchestra's summer home hosts symphony concerts every Fri, Sat and Sun over the next two months, with occasional weekday chamber music events. Jessye Norman is soloist in a Strauss and Wagner programme on Fri conducted by Seiji Ozawa, who also conducts a concert on Sat by the Tanglewood Music Center Orchestra. On Sun, Hermann Michael conducts the Boston Symphony in works by Grieg, Liszt and Schumann, with André Watts piano soloist. Next week: all-Beethoven programme. Ends Sep 1. (413) 637 1600

VERONA
This year's operas at the Arena di Verona are Don Carlo, Nabucco, Aida and La bohème. There are three performances this week: Don Carlo on Fri and Sun, with a cast led by Luis Lima, Renato Bruson, Aprile Millo and Giovanna Casolla, and La bohème on Sat, with Alberto Cupido and Lucia Mazzaria. Aida opens on July 17 and Nabucco on Aug 7. Ends Aug 30. (45) 590109

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Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
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Sky News
1330-1400, 2030-2100 FT Business Weekly

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Monday July 6 1992

Roadblocked society

IN 1969 Mr Jacques Chaban-Delmas, on taking office as French prime minister, described the country he was called upon to govern, a year after the paralysing general strike of May 1968, as "une société bloquée". Since then many efforts have been made to unblock it, and President François Mitterrand may fairly claim to have done more than most in that direction. It was his strategy that succeeded in marginalising one of the most formidable obstacles to change, the Communist party; and since 1983 he has consistently given priority to European integration, which has had the effect of opening up France's economy to competition and encouraging, in large parts of the population, a more flexible and innovative attitude of mind.

The events of the last week show how incomplete that process still is. France today appears, more literally than ever, a society blocked by the action, at once defensive and aggressive, of groups with strong vested interests, threatened by processes of change. The groups in question, composed largely of self-employed workers used to working on their own and living independently, are good at organising obstruction but unwilling to support any permanent leadership capable of proposing or negotiating constructive solutions. Poujadism is alive and well in its country of origin.

The changes they are resisting are, on the whole, in the general interest. That is true of the McSharry reforms in the EC's common agricultural policy, which should in the long run make food cheaper throughout the Community, at a lower cost to taxpayers, while ensuring that subsidies benefit those farmers who most need help. It is even more glaringly true of the system of penalty points for dangerous driving offences, which has been shown in many other countries to save lives by providing a more effective deterrent, and by removing persistent offenders from the wheel altogether.

Intolerable injustice

Yet not only do the protesters consider themselves the victims of intolerable injustice: much of public opinion apparently sympathises with them. French opinion leaders almost unanimously accept the assumption that guaranteed prices are the only way to support farmers, equating big farmers with small ones, farmers in general with the countryside, and the countryside with "la France profonde", supposedly the mental habitat of the physical city-dwellers who form a substantial majority of the French population. Similarly, an opinion poll last week showed 60 per cent of respondents supporting the lorry drivers. Another poll showed the same percentage supporting the new law, but accepting that lorry drivers should have special treatment – as though a drunken lorry driver, or one exceeding the speed limit or driving on the wrong side of the road were somehow less dangerous than a private motorist doing the same thing.

Failed miserably

The government, whose job is to protect the general interest, is in the right on the substance of the issues. But it has failed miserably both in articulating that general interest to the population and in asserting the authority of the state – something French governments are traditionally supposed to be good at. The citizen, if he expects anything at all from the state, expects it to guarantee free movement about the country for himself and for the provisions which meet his basic needs; and when a country is geographically in the centre of a region whose economic integration it has done its best to promote, the state surely incurs the same obligations towards citizens of neighbouring countries too. Nationals of all EC member states now have a legal as well as moral right to free passage across French territory, and France as a state is conspicuously failing to meet its obligations.

How the government can retrieve the situation, having allowed things to get this far, is not immediately clear. In 1968 Mr Mitterrand, as leader of the opposition, fell victim to the tactics of General de Gaulle and his prime minister, Georges Pompidou, who allowed things to deteriorate until public opinion was thoroughly alarmed, while quietly preparing behind the scenes for dramatic action to free key bottlenecks (most notably the petrol supply) at the right psychological moment. He may well now try some variation on those tactics to turn the tables on his conservative opponents who, in their turn, face the dilemma of needing to attack the government without appearing to be defending the anarchic behaviour of the protesters.

But he cannot afford to wait very long.

Directors' pay

WHEN THE Cadbury Committee on corporate governance in Britain made its recommendations in May there was widespread disappointment among institutional shareholders at the brevity and mildness of the section which dealt with the controversial subject of directors' pay.

Despite the paucity of these pay guidelines, a study by one of the UK's leading remuneration consultancies has shown that only seven of the 100 companies in the FT-Stock Exchange index conform with all of them.

More than three-quarters of the companies disclose the existence of a remuneration committee, but only just over half (a suspiciously low proportion) declare the existence of performance-related incentive arrangements. Barely a third explain the criteria for these incentives, while only a twelfth show separately the performance element in the remuneration of the chairman or highest-paid director.

As the consultancy argues, much of the criticism over directors' pay would probably be avoided if boards took proper steps to demonstrate how pay awards arose, and to show the relationship between incentive payments, salary increases and company performance.

In any case the Cadbury approach pales sharply alongside a set of tough disclosure proposals made 10 days ago by the US Securities and Exchange Commission. Current UK regulations, and the Cadbury proposals, require anything approaching detailed disclosure to be made only for the chairman and highest-paid director, which means two people at most. The SEC would require the five highest-paid executives in a company to be listed, and their remuneration packages to be broken down into a table of nine separate components.

These would include stock options – the source of most US controversy, but virtually ducked by Cadbury – where a range of potential values would be shown, based on various possible increases in the company's stock price. The SEC has also made it easier for shareholders to challenge pay packages at companies' annual general meetings.

In the interest of their own credibility, the boards of Britain's top companies should not just conform quickly with Cadbury's slim provisions, but volunteer further information besides.

Canny reforms

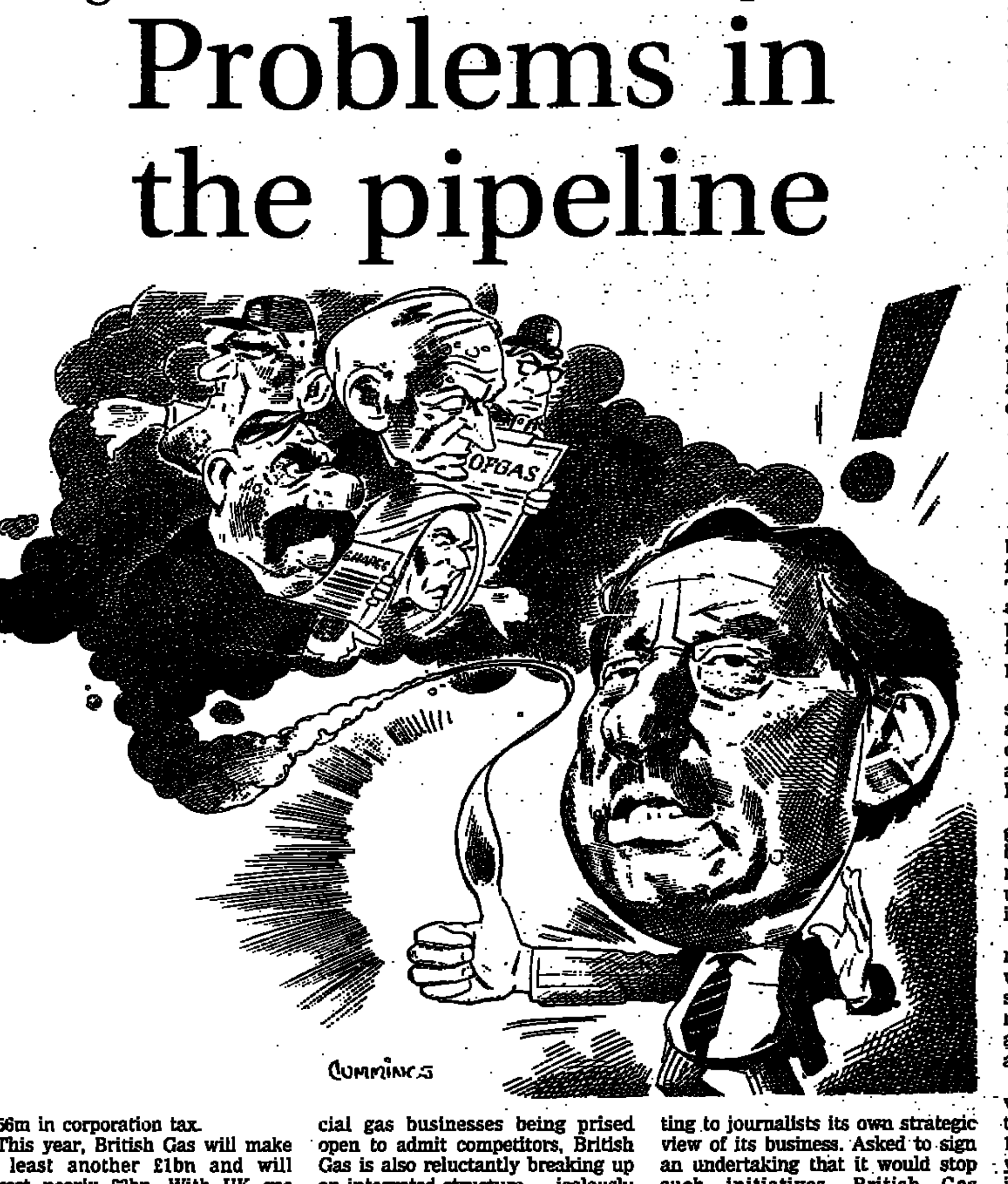
SO FAR, so good. The plans announced on Friday by Mr Michael Heseltine to reshape the Department of Trade and Industry are modest and sensible. British business, which for years has complained that its interests were never taken into account in the process of government decision making, should be pleased by a reorganisation which will relate the DTI more closely to individual sectors of industry. New divisions within the department will develop specific areas of expertise, will encourage civil servants to broaden their horizons, and will bring in experts from the private sector to help develop rigorous analysis and sound business judgments.

Those who fear that Mr Heseltine has a private agenda, aimed at a much greater degree of government intervention in business, should also be reassured by this announcement. Far from building a mighty empire, he speaks demurely about a cut in the department's overall budget. The new sectoral divisions, he says, will be no soft touch: they will sponsor their particular industries, but not in an uncritical way. The aim is to improve communications and understanding, rather than to provide a series of focal points for Whitehall whingeing.

Mr Heseltine has yet to show his hand on the most important aspects of industrial policy, especially where it concerns competition, and his critics still assume that he has something up his sleeve. Has he changed his game, or is he just being canny?

Michael Cassell examines the challenges facing British Gas as it wrestles with regulation and increased competition

Problems in the pipeline



For Mr Robert Evans, the deal signed last week in Kazakhstan jointly to exploit one of the world's biggest oil and gas fields marks a $3bn step towards his vision of building British Gas into a world-class energy business. Closer to home, however, he has less cause for contentment.

Mr Evans, the company's chairman and chief executive – although he is expected to relinquish the second part of his title soon – braved Kazakhstan in January to help the deal along. He may think that extracting 20 trillion (million million) cubic feet of gas and 2bn barrels of oil from the vast Karachaganak field is easier than running his business back home.

The scouse mechanical engineer, who joined British Gas 40 years ago, believes that Britain's sixth-largest company is being pushed around. Instead of laying pipelines, too much time is devoted to playing politics.

His critics say he is not playing the game well. The company's latest advertising campaign, in which the thumbs of actors spontaneously combust as they proclaim the benefits of "being in control", draws wry smiles from those who believe British Gas has lost its way.

Mr Evans, who as a young trainee thought gas works were "dirty, smelly and exciting", passionately defends his business and his own record.

He talks animatedly of "intelligent pigs", the latest in pipeline monitoring hardware, and about the revolution in gas supplies made possible by plastic piping.

His task is to run a highly capital-intensive, technically sophisticated business, while at the same time delivering gas safely to satisfied customers.

He delights in reporting that his company's 18m customers now rate British Gas second only to Marks and Spencer for good service. Every complaint is matched by 20 happy customers – a performance Mr Evans says "really turns me on".

Not everyone, however, is quite so "turned on" by British Gas. Or by Mr Evans, who some regard more as a gifted engineer than an inspirational boss.

He has attracted unwelcome publicity over his £435,222 annual pay packet and a home crammed with appliances for his family to test.

More seriously, Mr Evans is still entangled in an increasingly personalised wrangle over gas prices – "a 15 per cent cut since privatisation, excluding the latest reduction, is a damn good record for anyone" – with Sir James McKinnon, director-general of Ofgas.

Sir James is the industry watchdog who bites as well as barks. Mr Evans, who has been heard bellowing "Good, bloody morning!" on his way out of Sir James's office, says the relationship is "totally and utterly unproductive".

Sir James's views on his adversary are equally crisp. The atmosphere of sterile hostility, created in the absence of any established, national philosophy on utility regulation, now borders on the absurd.

To many British Gas watchers, the future of the company which led former prime minister Mrs Margaret Thatcher's crusade for popular capitalism appears less clear-cut than at any time since it was sold to 4m eager shareholders in 1986.

The concern may initially be hard to fathom. Profits after tax in 1991 breached £1bn and the company now supplies nearly half of all Britain's non-transport energy needs. Last year, the cash-rich business gave the exchequer more than £556m in corporation tax.

This year, British Gas will make at least another £1bn and will invest nearly £3bn. With UK gas prices among Europe's lowest, Mr Evans suggests: "We are very close to the pinnacle in offering an effective, efficient, value-for-money supply of gas to nearly everyone who wants it." Boosted by the Kazakhstan deal, British Gas shares have outperformed the FT-A All Share Index by 25 per cent since privatisation.

But many believe that a less "wonderfuel" future may await British Gas. If the top team at Rivermill House, the company's Vauxhall Bridge headquarters, saw privatisation as a passport to commercial freedom, they now know they were misguided.

British Gas faces a greater degree of intervention in its activities than ever. Mr Evans complains: "What we never, ever expected was that the goal posts were going to be moved all the time." A senior colleague told a recent City gathering: "We can't even locate the playing field."

Once seen as impervious to external influence, the company now struggles with the burden of regulation – in June it had to cut domestic gas prices by 3 per cent under threat of legal action from Sir James.

With its industrial and commercial gas businesses being prised open to admit competitors, British Gas is also reluctantly breaking up an integrated structure – jealously guarded and preserved intact at privatisation by hiving off its national pipeline and storage operation for others to use on an equal footing.

Given that the domestic gas supply monopoly may also end, profits may no longer pour so easily from pipelines.

Mr Evans has said that the restructuring of the UK gas market will mean higher prices, lower standards of service and less reliable supplies. But he has succumbed to the changes, under threat of a second post-privatisation investigation by the Monopolies and Mergers Commission.

'We have faced constant intervention ever since the ink dried on the privatisation documents, with 10 major regulatory changes in five years' – Robert Evans

The Office of Fair Trading has been unhappy with attempts by British Gas to fight back by promoting to journalists its own strategic view of its business. Asked to sign an undertaking that it would stop such initiatives, British Gas refused.

All of which has left the management, faced with a maturing energy market in the UK, a threat to earnings from regulation and rising competition, seeking a new game plan.

To Mr Evans, part of the answer lies increasingly outside the UK, where British Gas profits are quickly rising. But there has been mixed success – winning control of Canada's largest gas distribution business but seeing its ambitions dashed in Spain and New Zealand.

One of Britain's most senior exploration men is highly critical: "Everywhere you go they are bidding ridiculous amounts of money on exploration and production. It smacks of diversification at any cost." British Gas says this is "sour grapes" from less fortunate competitors.

In spite of the attempt to broaden its horizons, the company is still regarded as being caught permanently on the back foot, unable to pre-empt inevitable changes in its marketplace and not yet convincingly articulating a vision for the future.

"It's like the retreat from Dunkirk, with the high command agonising over what has to be left on the beach and what to try and get on the boats," says an energy consultant who has had close dealings with British Gas.

Mr Ian Powe, director of the Gas Consumers' Council, claims British Gas failed to comprehend that the greatest challenge to its future was not other energy sources but regulation: "They have failed to think strategically and are left to knit their brows and wonder why things are happening to them."

According to a former British Gas middle-manager: "The management is politically naive."

An independent gas company executive suggests: "British Gas needs someone deeply unpleasant and detached to turn it over. Bob Evans is far too nice a man."

Supporters say he has manfully tackled a series of commercial onslaughts which would have tested the stamina and skills of any chief executive. A colleague claims: "He has a quick grasp of the issues and a broad vision. What else are we doing in Kazakhstan?"

Some of his closest lieutenants, many of them single-function, lifetime gas men unused to thinking beyond their core business, have also been criticised for uninspired leadership.

Two recent executive board appointments, however, involving people whose careers were not forged in British Gas, have not dispelled the disenchantment.

As it is, Mr Evans is in the hot seat for another two years – although handing over the role of chief executive to Mr Cedric Brown, a senior British Gas board member, is thought to be imminent.

All the criticisms encapsulate a general theme: that British Gas has been slow to dump its old state monopoly culture and slow to wake up to the changing world in which it must conduct its business.

Mr Evans is defiant: "We have not needed to change our culture. We were not an extension of the civil service before privatisation. We never went cap in hand for money and have always tried to improve and expand our business.

"We have faced constant intervention ever since the ink dried on the privatisation documents, with 10 major regulatory changes in five years." Such uncertainty, he says, is destructive.

He refuses to apologise if his company ponders on external pronouncements – "usually heard first on Radio 4" – which may have profound effects on its business.

According to Mr Frank Dobson, Labour's energy spokesman: "The government is trying to create competition artificially instead of regulating the gas industry effectively. The result is a never-ending series of critical interferences which have discouraged it from thinking long term."

Now the company is said to be considering a wholesale break-up of the business, intended to deflect the regulatory onslaught upon it and to enhance the value of an investment which shareholders, so far generally acquiescent, are beginning to question.

British Gas plays down the break-up suggestion, but stresses that any financial re-engineering would have to be accompanied by a significant easing of regulatory pressures.

Mr Evans explains, with a note of exasperation: "Our European counterparts regard what is happening to us as one big experiment." No one, he feels, should mess around with gas unless they know precisely what they are doing.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Macedonia: the classic confusion and the needs of ethnic minorities

From Zannis Res.

Sir, Edward Mortimer ("A Greek tragi-comedy, July 1), whose articles are generally well written, seems this time to be running in circles on the Yugoslavian issue and the misuse of the name Macedonia. He has fallen victim of a classic confusion, in being unable to draw a line between nationalism, as he describes it, and old fashioned, despicable, communist propaganda. Tito managed to convince a generation of Slavs in southern Yugoslavia that they are the descendants of Alexander the Great. That was a great lie, as any serious university don will tell you.

Surely, in the new Europe, which admits some sincerity among its tribes in the form of glasnost, open government, accountable government, etc, the word Macedonia must be allowed to remain a more vaguely defined region across nation states rather than be adulterated as the name of one nation state and perpetuate an abusive lie of an old, dictatorial, communist regime.

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From Andrew Michael Apostolou.

Sir, Edward Mortimer is correct to argue that Macedonia should be rescued from its present diplomatic limbo immediately. But the problem does not stop at the recognition of Macedonia as a state. The Greek government refuses to recognise the existence of Macedonians as an ethnic minority within Greece, preferring to denote them as, wait for it, slavophone Hellenes. It also denies Macedonian refugees from the Greek Civil War the right to return, even though Greek refugees from that war have long been allowed back. The UK presidency should attempt to change Greece's attitude so that the EC can credibly use its good record on individual and minority rights to encourage such practices in eastern Europe.

Andrew Michael Apostolou,
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Inequalities of intelligence tests

From Mr Alan Shipman.

Sir, Michael Prowse's example of new thinking from the US research establishment ("The genetic threat to capitalism", June 29) is as old as the think-tank recyclings he rightly dismisses. The argument that stripping away imposed privilege creates discontent, by making those lower down the hierarchy feel responsible for their plight, was fully explored by Michael Young in his 1958 essay, "The Rise of the Meritocracy".

The really frightening aspect of stratification by IQ scores is that measured intelligence relates so loosely to demonstrated ability (though in Young's classic, merit is a combination of IQ and effort). No one has yet devised an intelligence test that does not rely on knowledge that is environmentally determined, therefore unequally available. So, as anyone who uses banks, word processing software or dispensing machines is aware, intelligence among the masses remains vital to cope with the technical limitations of the elite.

Alan Shipman,
792A Harrow Road,
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Travel with article 8A

From Mr Paul Fair.

Sir, It is not just "litigious MEPs" who will be challenging the UK government if it maintains frontier controls with other EC states after January 1 next year ("Europe, the state of the union", July 1).

I suspect that there will also be plenty of regular travellers between Britain and the continent who have been stopped and abused once too often by Immigration and customs officials. I have had the pages of my diary and my cheque book stubs scrutinised enough times at Heathrow, Gatwick and Dover for it to be clear that such action is standard practice, and not a search based on any grounds of suspicion.

Let's also not overlook that fact that if Britain does maintain controls, there is quite likely be an increase in the number of frontiers, because checks will have to be introduced between the Irish Republic and the UK, where none now exist.

I will travel to England on January 1 1993 carrying, not a passport, but a copy of the Treaty of Rome, article 8A which states that there will be no internal frontiers after that date.

Paul Fair,
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Only outstanding question on Sunday trading relates to competition, not principle

From Mr Terence C Stancliffe.

Sir, The comment by Lex about the Shops Act ("UK retailing", June 27), suggesting that the European Court of Justice is likely to "fudge" the verdict if it does not declare the Act incompatible with EC law, seems to lean hard towards the improbable.

It is something of a mystery how there has come to be a general impression that the Sunday trading restriction in S47 of the Shops Act 1950 is still at risk of being declared incompatible with Community law by the ECJ.

The fact is that the ECJ has declared already not once but three times that the Treaty of Rome leaves member states free to legislate Sunday trading restrictions, whether that is by prohibiting shops from opening (the Torfaen case 145/88, decided November 23 1989) or by prohibiting the employment of staff on Sundays (the later Sidef Conforama case 312/89 and Marchandise case 332/89, March 1991).

The question still left open for an ECJ decision expected later this year is not this issue of principle but a subsidiary question related to a rather odd qualifier to the ruling in the original Torfaen case. That left it open to the UK courts to find that S47 is incompatible with EC law if the actual Sunday trading restriction implemented in the Shops Act has disproportionately restrictive effects on Community trade, ie effects which "exceed the effects intrinsic" to rules prohibiting retailers from opening their premises on Sundays.

The meanderings of procedure have meant that no UK court has pronounced on the result of applying this proviso to the actual effects of the Shops Act. It is fairly hard to see how the Shops Act can possibly have effects that do "exceed the effects intrinsic to" a prohibition on Sunday trading, since no other restriction is in issue.

In this context, the High Court judge whose decision was restored last week by the House of Lords had commented cautiously that the prospects for eventual success by the council trying to enforce the Shops Act "cannot be described as slight".

The question still before the ECJ is now whether it is still at all necessary for the UK courts to examine the applicability of the odd proviso in the Torfaen ruling, bearing in mind the later ECJ decisions on Sunday employment of staff.

Presumably if the answer is no, then the Shops Act will be upheld. If yes, then the case would depend on proving that there are disproportionate restrictive effects on Community trade, in the absence of which, again, the Sunday trading restriction in the Shops Act would be upheld.

While nothing perhaps in such a protracted legal saga is ever certain, the UK government seems to be at little risk of financial liability to the retailers due to the case going the other way.

It might seem on the contrary that the retailers' original "Euro-defence" against the simple enforcement of the law has been magnified to generate a procedural quagmire quite disproportionate to the likelihood of its ultimate success.

Terry Stancliffe,
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Prescriptions for world prosperity

Leaders of the Group of Seven leading industrialised states meet in Munich this week. Four senior economic ministers set out their contrasting views on the micro-economic and structural challenges facing the former states of the Soviet Union, eastern Europe and the west

Economic viewpoints: clockwise, Dominique Strauss-Kahn, Michael Heseltine, Jürgen Möllemann and Kozo Watanabe

Industry to succeed finance

In the "30 glorious years" which followed the end of the second world war, the world enjoyed a period of almost uninterrupted growth. Then came the oil crises of the early and late 1970s, with their attendant disruption: massive unemployment, inflation and budgetary deficits and a currency war. Relative stability was replaced by uncontrolled change.

Towards the end of the 1970s, the perplexity of the professional economists was matched by the inability of the governments of the developed countries to produce a co-ordinated response to the world's economic difficulties. In the absence of a solution, they came up with a declaration of intent: only market forces could cleanse the sins of a world which was too interventionist, over-regulated and burdened with too much debt. Fortunately, the governments involved, including those whose public pronouncements were coloured by ideology, demonstrated a high degree of realism and pragmatism.

So it was that, throughout the 1980s, the seven leading industrialised nations tirelessly devoted their energies to bringing order to the chaos in exchange rates and financial markets. The Plaza and Louvre agreements of 1985 and 1987, which stabilised the exchange rates between the world's strongest currencies, the third-world debt crisis which has been brought under control but not resolved, and the rapid and effective response to the 1987 *stock market crash will all leave* their mark on history. The risk of having a "casino economy" running totally out of control was averted, thanks to an active policy of international co-operation.

Can we stop there? Clearly the answer is "no". The list of challenges facing the world economy is daunting. Many politicians, businessmen and trade unionists in Germany, Japan, Great Britain and France believe that the priorities have changed. The 1990s will be the *decade of enterprise, of micro-economics* and the production system; in other words, it will be largely dominated by industry, in contrast to the pre-eminence of finance in the previous decade.

Technological progress, protection of the environment, the changing face of labour relations, work sharing in the rich countries and wealth sharing between rich and poor countries, the safety of nuclear power stations and the flow of investment into the countries of *eastern Europe will be the most* important issues in the years ahead.

There is only one possible approach to these problems: international economic co-operation must be extended to cover all these areas.

It may surprise some people to learn that so many of us, from such different ideological backgrounds, share the conviction that it is absolutely vital to regulate the "real" economy. But should we not be paying as much attention to environmental matters, strategic manufacturing, unemployment or economic reform in eastern Europe, as to the topic which dominated discussion in the past: exchange rates?

No one is foolish enough to believe that agreement on the problems will produce agreement on the solutions. The content of the co-operation package, even more than its form, will emerge from a confrontation of viewpoints which will sometimes be divergent, if only because national interests do not always coincide. But whatever the difficulties presented by industrial co-operation, we know it can be achieved. National experience offers a wealth of examples – the Keiretsu industrial groups and co-operative agreements maintained under the aegis of Japan's ministry of trade and industry, links between industry and the banks in Germany, military and space programmes in the US.

The progress of the economies of Europe, the US and Japan is at stake. Today, industrial co-operation is more necessary than ever, *throughout the world, to ensure the* development of sectors which are essential to world growth and which will not be nurtured by market forces alone.

Dominique Strauss-Kahn

The author is France's trade and industry minister.

No walls around Europe

The discussions which will attract most attention in Munich will be those about the integration of Russia, and/or the rest of the former Soviet Union and *eastern Europe, into the political* and economic structures of the west.

The debate will be concerned with the macroeconomic policies to be applied in Russia, the financial assistance which can be supplied by the west and the role of international agencies such as the International Monetary Fund.

But that is not the whole story. The Russian economy will never recover unless its industry is restructured to respond to market *needs and to produce the goods* which consumers at home and abroad want to buy when they want to buy them. Equally, western markets need to be open to those goods which Russia can produce and sell competitively.

In fact, open markets are vital to all our economies. As president of the UK Board of Trade, it is my priority to do whatever I can to help British industry win business all over the world. But when it comes to trade, Britain's national interest is one and the same as that of any other country. We all have a common interest in trade liberalisation, in ensuring open markets in which everyone can compete. Without competition, we stagnate; we all lose.

Open trade and competition are not simply philosophical or political subjects for sterile debate. Their benefits are experienced by all of us every day. In the high street, consumers have the choice to buy the goods and services they want. They get better quality and value for money. And providers of goods and services benefit from the opportunities of one large free market.

That is what the single European market is all about. More than 90 per cent of the measures originally identified as necessary for its completion have been agreed. During the UK presidency of the European Community, we shall ensure the process is completed. And when it is completed, it must be made to work. There must be no wall around Europe that would deny us *the benefits of competition throughout* the world's markets.

Some people say the only countries that really benefit from trade are the industrialised nations of western Europe, North America and Japan – the rich north; it does not help the developing nations of the south. This is not so.

Of course, no one can deny the ever growing need for aid on humanitarian grounds; such needs cannot be in dispute. But that is a separate issue. The real key to *growth and development in the* poorer countries is for them to be able to sell their products in a sympathetic trading climate.

That brings me to the Uruguay Round of the Gatt negotiations. A successful conclusion to the round, through its impact on world trade, will do more for the developing countries than the whole of the EC's overseas aid budget. A GATT round deal is within easy reach; we must not let it slip from our grasp.

The same principle applies to the *development and stabilisation of* eastern and central Europe. Certainly we must provide economic and technical help. But ultimately, democracy and efficient market economies will flourish only as part of an international market free of barriers to trade, where healthy competition is the engine of efficiency, innovation, quality and choice.

Michael Heseltine

The author is president of the UK Board of Trade.

Structural approach

Since the first international economic summit in 1975, the event has functioned as the dais from which the leading west*ern industrialised countries demon*strated their unity in the face of the communist threat. However, the end of the Cold war has begun to transform the summit into a forum where economic matters of the whole world including the former communist bloc are discussed.

In this post-Cold war era, the discussions on the ways in which the G7 will support structural economic reform in the former Soviet Union and eastern Europe will, along with the talks on how to handle our own *economic affairs, be an important* issue. In both cases, I wish to emphasise the importance of a structural approach.

In order for the former communist countries to put forward economic reform based on self-help, it is essential to develop an economic structure which will enable their private sector to realise its potential through policies in micro-economic fields such as the introduction of competition, the conversion of military production facilities to civilian *use, the development of private* companies and expansion of trade and investment. Without developing such structures, whatever funds we dedicate will not bring true economic reform. We will merely be forced to dedicate more and more resources.

It is better to help someone achieve the ability to self-help than merely to provide charity. To quote an old Asian saying: "Teaching how to catch fish is better than giving fish."

*The importance of structural eco*nomic reform – removing impediments to the functioning of the free market and raising industrial productive capacity and competition – is applicable not only to support for the former communist bloc. The industrialised countries also have various problems of their own that must be overcome in realising a more efficient and open economy.

To achieve strong and balanced growth the summit members must not only adopt growth-oriented fiscal and monetary policies but also proceed aggressively with struc*tural reform.*

To facilitate structural economic reform a strengthening of the international institutional framework is essential. At the ministerial-level meeting of the Organisation for Economic Co-operation and Development in May, I proposed "multilateral structural reform talks" and emphasised the importance of tackling our structural problems together. Furthermore, efforts by each country to improve its competitiveness are essential to the *realisation of ever higher levels of* competition.

Business groups should also develop international co-operation and work together to develop new technologies and industries. Japan is promoting various trade and industry-related co-operation measures with European countries in search of the best balance between competition and harmony.

In recent years, there has been an increased awareness that structural, micro-economic policies, *together with macro-economic strat*egies, are important in achieving sustained growth of the world economy. I hope that at this summit the importance of structural reform in both areas – economic policies of G7 states and the economic reform of the former communist bloc – will be reconfirmed and a consensus be reached on the direction of future economic policies.

Kozo Watanabe

The author is Japan's trade and industry minister.

Move to the micro

The seven leading western industrial countries have largely succeeded in keeping their economies in good macro-economic *order; in the postwar era, their peo*ple have been spared economic crises on a global scale.

At the same time, western states have accumulated structural rigidities and imbalances in their economies which represent an increasingly serious threat to continued growth in the world economy. The big global challenges can, however, be tackled only on the basis of a strong world economy.

One of the great challenges is the transition to democracy and market *economics in the former republics* of the Soviet Union and eastern Europe. We must recognise clearly that the integration of the former socialist world economy into the single global world economy, the realisation of the transition to lasting democratic and market-based structures in east Europe, while simultaneously securing the efficiency of our economies, will be the crucial issues for this decade.

When tackling these problems, the politician is no longer primarily *concerned with the global steering* mechanisms such as interest rates and exchange rates; instead the politician concentrates far more on the underlying micro-structures and the efficiency of the steering instruments (such as tax, labour-market and trade policy).

The issue is one of maintaining or recreating the ability of the markets, including the labour market, to function; of the political determinants of private investment decisions; and of the role of state regulation, *not* least in the area of trade, environmental and energy policy.

These topics are also increasingly the focus of international policy co-ordination. The recent earth summit in Rio de Janeiro is proof of this. At the same time, the political and public awareness of the problems of structural rigidities and imbalances has been heightened, not least by the difficulties of economic unification in Germany and the reform processes in eastern Europe. Certain misguided developments in the structural area, for example in nuclear energy produc*tion, are more dangerous today* than mistakes in exchange rate policy.

Public funds are of only marginal effect in supporting reform processes; the decisive factor is the development of private-sector initiative under reliable legal and economic conditions.

This remains important for our own economies, and I sometimes wish western Germany showed the same willingness for structural change that we must expect of east*ern German industry and our east* European partners.

The great competition between the systems of east and west is over, but the competition between efficient locations, effective policies on trade, environment, labour market, energy and competition will increase further. We need to keep sufficiently in step internationally in the micro-economic and structural area in order to avoid distortions of competition.

Even more important is to make it *clear that the wrong micro-eco*nomic policy – for example, the preservation of old economic structures – will lead to a fresh separation from the world economy for the countries in question. There will no longer be any "world economic social security". Mistaken micro-economic and structural policy will inevitably result in the loss of prosperity and quality of life.

Jürgen Möllemann

The author is Germany's economics minister.

OBSERVER

Omelette of egg-heads

■ *Provided President Heseltine* coughs up £100,000 or so, we may soon see a practical test of the Law of Economists' Equilibrium. It states that for every economist holding any given view, there'll be another holding precisely the opposite.

The project originates with Paul Ormerod, economics chief at the Henley Centre research group. He plans to get Britain's foremost dismal-scientists to spell out their personal rules for making forecasts, then stick all the formulae into a capacious computer.

He hopes the resulting omelette of economic egg-heads will produce predictions that are appreciably more reliable than the cock-ups apt to result when individual economists peer into the future.

A trial of the in-put stage has already been held with the aid of the London Business School's amiable chief forecaster Geoffrey Dicks. The reason he was chosen is apparently that his mind works in a way that is easy for a computer to understand – besides which it nary matters that London Business School has been among the least accurate of forecasters lately.

Other luminaries who've shown interest include Treasury chief economist Alan Budd. So, given funding from Michael Heseltine's trade and industry department, the project should go ahead.

If it does, and the equilibrium law holds good, the net result will of course be nothing whatever.

Double take

■ The bust-up at BP, following hard on the heels of the Cadbury report on corporate governance, has turned the spotlight on the increasingly slim number of big companies which still combine the job of chairman and chief executive.

It's a practice that some of the UK's largest institutional shareholders have been railing against for years. Indeed, among *the most outspoken is none other* than Postel, the £20bn pension scheme of the Post Office and British Telecom, Britain's biggest company.

Slightly odd then that the PO and BT both have chairmen – Sir Bryan Nicholson and Iain Vallance – who combine the roles. Postel's official position is that it doesn't like to see a single charismatic individual holding down both roles.

So, what does this judgment tell us about Mr Vallance and Sir Bryan.

Enough Frost, Ed

■ Hello, good morning and welcome back. It was rather surprising to read two long and flattering centre page features about the same media star, David Frost, the day after each other in The Independent on Saturday and The Independent on Sunday.

The kind interpretation is that the clash demonstrates the robust editorial independence of the supposedly integrated stable-mates. Even so, it tends to make some investors nervous when one side of the business is not telling the other what it is doing.

The Bard says

■ Britain's 14-year-olds will soon be facing compulsory examinations on Shakespeare. But how many *will ever reach the* proficiency shown by the unknown Portuguese official who drafted the traditional valedictory telegram to the UK government on its assumption of the presidency of the European Community last week?

"The unique experience of a first presidency can be described in many ways," it said.

"Some may believe it is like a tempest, others that it is much ado about nothing. We refrained from applying measure for measure and sought to prevent EPC (European Political Co-operation) from ever looking like a comedy of errors. When we began our presidency in January the next six months seemed like a winter's tale and July was a distant midsummer's night dream.

But today we can truly say that all's well that ends well and hope we did it as you like it."

Admittedly, no mention of Hamlet, or something being "rotten in the state of Denmark". But perhaps Downing Street can make up for that when it pens its own note to the Danes, when it is their turn to take over the presidency next January.

"Would you like to see snaps of our hitch-hiking holiday round France?"

On trial

■ The run-up to this month's Olympics is proving to be just as tricky for the athletic footwear industry as for the athletes they are sponsoring.

It will need some fancy footwork if the sneaker advertisers' heavy investment in great names who stumbled in the race to Barcelona is going to be protected.

The collapse of Reebok's Dan-and-Dave advertising battle to find the world's greatest athlete – Dan O'Brien flunked his pole vault trial – has been the most dramatic upset. But there are plenty of other advertisers who don't seem to be getting value for money.

Sports shoe maker Nike can be forgiven for feeling let down by German sprinter Katrin Krabbe and her colleagues. Having loyally stood behind them during the accusations that they fiddled their drug tests, Krabbe *et al* have decided to skip the Olympics despite being cleared.

Meanwhile, Japanese running shoe maker Mizuno has had to scale back its Carl Lewis advertising campaign, after the superstar failed to make it into the US sprint team.

With prices of some sports shoes being slashed by up to 40 per cent, vulnerable European companies like Adidas and Hi-Tec must be hoping that bigger rivals, like Nike and Reebok, will start dumping some of their expensive advertising stars, rather than just their surplus stock.

If they don't watch out Nike and Reebok may soon be entered into the Marketing Hall of Shame along with some other famous losers.

Next question

■ When Isle of Man accountant Geoffrey Brew – a prosecution witness in a forgery case – was challenged by defence counsel as to why he had opened a Swiss bank account when there are so many banks near his home in the Isle of Man, he replied: "My wife and I went to Switzerland for a weekend and we liked the place so I opened a bank account."

FINANCIAL TIMES
Monday July 6 1992

Nationalists proclaim a new Croatian state

By Laura Silber in Belgrade

NATIONALIST Croat leaders in Bosnia-Hercegovina proclaimed at the weekend an independent Croatian state, in a move which could undermine international attempts to end the bloodshed in the former Yugoslav republic.

The creation of the state, to be known as Herceg-Bosnia, is in line with a secret pact between Serbia and Croatia to divide Bosnia. Militant Serb leaders from Bosnia yesterday welcomed the proclamation, Belgrade Radio reported.

The proclamation was made by Mr Mate Boban, a leading politician of the Bosnian Croatian Democratic Union, sister-party of the ruling party in Croatia.

Earlier this year, he took part in secret talks with Serbian leaders on plans to divide the republic between Croatia and Serbia.

Sarajevo Radio reported that the Croatian flag would fly over the territory and the Croatian dinar would be used, but did not detail the exact relationship with Croatia.

Herceg-Bosnia is thought to cover about one-third of Bosnia-Hercegovina, from Neum, on the Adriatic, through Kiseljak to Bosanski Brod, on Bosnia's northern border with Croatia. It includes territory with concentrations of ethnic Croats, who make up 17 per cent of Bosnia's 4.35m population.

Croat forces, backed by Zagreb, have launched an offensive in the south of the republic, gaining control of Mostar, capital-designate of the new Croatian state.

The Croat proclamation follows a similar announcement on April 7 of a Serbian state covering 65 per cent of Bosnian territory. Serb forces control more than half of Bosnia, and for three months have besieged Sarajevo in order to partition the Bosnian capital.

Creation of such states would be at the expense of Bosnia's Moslems, who at 44 per cent of the population comprise the largest ethnic group.

In Sarajevo, Gen Satish Nambiar, commander of the UN peacekeeping force, held separate talks with Bosnia's national leaders. Anti-aircraft fire eased after weekend clashes threatened to imperil an airlift of relief supplies to the capital. Sixteen more aircraft arrived yesterday, bringing the weekend total to 28.

A Serbian fighter rests with a beer during a lull in fighting near Gorazde, eastern Bosnia

India orders audit of four foreign banks' operations

By David Housego in New Delhi

INDIA'S central bank has ordered a detailed audit of the treasury operations of the four foreign banks most heavily involved in the securities trading that precipitated the Bombay financial scandal.

The Reserve Bank of India is appointing special auditors to look at the accounts and internal control systems within the treasury departments of Standard Chartered, ANZ Grindlays, Citibank and Bank of America.

The audits, which follow a similar scrutiny of Indian state-owned banks most actively involved in securities dealing, are to be completed within a month.

The announcement marks the first time that the two large US banks have been officially linked to the scandal, in which some brokers illicitly siphoned into the equity market funds from the interbank market in government securities. Both Standard Chartered, the British bank, and the Australian-owned ANZ Grindlays have made heavy provisions for losses.

Bank of America says its own internal audits revealed no faulty transactions. Citibank said yesterday: "We have nothing to hide and nothing to worry about."

The new inspection came as a surprise to the foreign banks as the Reserve Bank has already conducted an extensive inquiry into the trading operations of banks in the securities market. The full report of the committee under Mr R. Janakiraman, vice-governor of the Reserve Bank, is due to to be published today.

Politicians and commentators have, however, been pressing for a fuller inquiry into the operations of the four major foreign banks, which derived a substantial part of their profits from securities trading.

Indian press reports have suggested that some foreign banks acquired undue influence through recruiting relatives of politicians or civil servants.

Police inquiries are also believed to have prompted the Reserve Bank to take a further look at transactions in the interbank securities market where the activities of brokers have increasingly come under investigation.

The inquiries are focusing on transactions between foreign banks and the domestic banks most deeply involved in the scandal, including State Bank of India, United Commercial Bank of India and Canara Bank.

Japanese employees find it pays to stop smoking

By Stefan Wagstyl in Tokyo

JAPANESE companies have found the perfect way to persuade workers to stop smoking – pay them.

Even though Japanese are among the heaviest smokers in the industrialised world, some companies have found their employees are ready to stop the habit in return for a little extra cash in their pay packets.

The Ministry of Health and Welfare is so impressed with the results that it has published a report praising the companies' efforts and encouraging others to follow suit.

The ministry's star performer is Yoshioka Kogyo, a machine tool company, which started its no-smoking campaign in 1968 after the chairman fell seriously ill and decided to stop smoking himself. None of the 44 staff now smokes at work or anywhere else. They receive bonuses of between Y7,000 ($56) and Y40,000 ($320) a month.

The payments increase with seniority, perhaps because older workers are considered to be under greater pressure than younger colleagues. The company says four or five people went back to smoking about six years ago. But their co-workers persuaded them to stop.

Nabitasu, an engineering company with 124 employees, found that monthly bonuses of Y3,000 a head were not enough. So last December it introduced a Y100,000 one-off payment to any smoker who signed a pledge to give up cigarettes. Half the 50 smokers immediately put away their Mild Sevens, Japan's most popular brand. Only one went back on his word and had to return the money.

Chuetsu Tekko, a building company, introduced its bonus last year. It offered to pay Y10m towards any project chosen by the 60 employees if they gave up smoking. All but eight stopped and Chuetsu is now building a company holiday house.

Companies say they benefit from the schemes as much as their workers. Nihon Densan, a maker of electrical machines, obliges employees who have signed the pledge to wear "no-smoker" badges once they give up. It says that as well as improving the health of its staff, the no-smoking campaign has cut the risk of fires and boosted the company's image.

So-called "image-up" measures are important to Japanese companies, particularly small businesses and others which find recruitment difficult. A no-smoking campaign may be just enough to catch the eye of a potential recruit.

Some 36 per cent of adult Japanese smoke, but the Japanese are health-conscious and anti-smoking campaigns are slowly gathering force.

Last month ministers gave up smoking during cabinet meetings for a week to mark a World No-Smoking Day organised by the World Health Organisation. However, They were not paid for their self-discipline.

THE LEX COLUMN

Leave it to the board

After another week of dividend cuts from such as British Steel and Lonrho, UK investors might be forgiven for asking themselves if they are getting enough say in the matter of their income. The snag is that their position is weak in theory as well as in practice. One of the more popular arguments is that cuts are unfair to income funds. This is absurd. Anyone who buys a high-yielding share is betting against the market on the outlook for the dividend. There is no room for complaint if the bet does not come off.

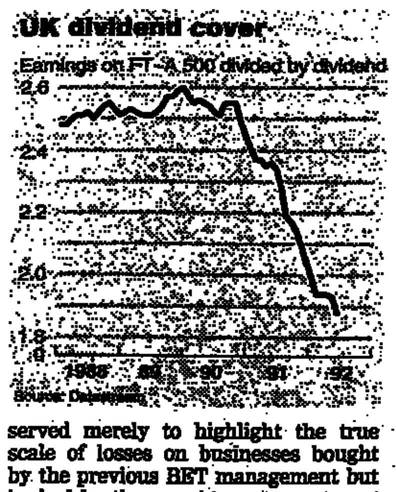
On a wider front, harried company directors must occasionally be tempted to say the unsayable: that when it comes to determining the dividend, shareholders are simply not qualified to take part in the debate. The fallacy lies in supposing that dividends are paid out of a residual lump of distributable earnings as published in the profit and loss account. In the real world, dividends are paid out of cash.

All the cash flowing into the business has to be allocated somewhere: to capital expenditure, to stocks, to wages, to advertising, to earning money in the bank. The decision on how much to allocate to shareholders is intelligible only in the context of how else the money might be spent. On such internal budgeting matters, investors are in the dark. They must simply trust the directors to make the decision in the long-term interests of shareholders. If they do not so trust the directors, they should not have bought the shares in the first place.

It might be argued that shareholders have a legitimate grievance in another sense. It is common ground among UK companies that dividends should be set at a sustainable level; that is, enough should be squirrelled away in the good years to pay for the bad. To cut the dividend is thus to break an implied promise. But in reality, the promise can only ever be conditional upon the bad times not turning out worse than could be reasonably expected. Since that seems to be just the position at present, shareholders must bear the discomfort along with everybody else.

UK accountancy

The business services group BET raised barely a flicker of City interest last month when it disclosed a thumping £477m extraordinary charge with its 1991-92 results. The reaction was perhaps understandable. The charge, after all, was a non-cash item which served merely to highlight the true scale of losses on businesses bought by the previous BET management but junked by the new team.



Had the company been reporting the same figures in a year's time, they might have caused a stir. That £477m – created as a result of last December's ruling from the Accounting Standards Board requiring goodwill written off to be included in the calculation of profit or loss on disposal – looks innocuous below the line. Come the likely adoption this autumn of the ASB's exposure draft virtually abolishing extraordinary items, both the headline pre-tax profit number and published earnings per share would in such cases be slaughtered.

The effective burying of acquisition accounting should be loudly applauded, even if there is still room for argument between companies and auditors over where to allocate goodwill when businesses are disposed of merely in part. The significance of the BET illustration, though, is in serving as a reminder of how volatile under the proposed accounting changes the treasured earnings figure is set to become. The new ruling can be seen as an admission that the accountancy profession is throwing in the towel after bruising and often unsuccessful behind-the-scenes battles over what is extraordinary and what exceptional. In future analysts and investors – armed with the relevant information – will have to take up the fight to determine for themselves the underlying trends.

Getting away from the present obsession with stated earnings per share – and the idea that the audited figure is somehow objectively reliable – can only be healthy. But some of the market's most deep-rooted principles of valuation will be challenged in the process. It is not clear how the price/earnings ratio can be a satisfactory yardstick when the earnings figure is shown to be a subjective number. The idea of a market multiple, of course, becomes more meaningless again.

European banks

With the future of the Maastricht Treaty still a matter of debate, it might seem premature to speculate on the European financial scene after currency union. But as the Community moves towards the establishment of a European central bank in Germany, it is difficult to ignore the implications altogether. The European banking industry, for example, would be confronted with a world in which monetary conditions were uniform from Lisbon to Lübeck regardless of the state of the local economy. In countries where membership of the system made money excessively tight, as is already the case in the UK under the ERM, the banking industry would be in for a rough time. Indeed, the once proud national names of European banking would become vulnerable to the sort of problems that afflict regional banks in the US.

The national economies of Europe may be less interdependent than the state economies of the US, where, for example, Massachussetts has grown to rely heavily on the defence industry. But if the single market produces the intended rationalisation of European industry, similar concentrations could appear on this side of the Atlantic. Moreover, the US has at least a centralised support system both in the form of deposit insurance and through the Federal Reserve's role as lender of last resort. The European vogue for subsidiarity may reduce the political appeal of such a centralised approach.

The message for Europe's banks is that they need to spread their activities more widely around the Community to balance the risks from currency union. So far, progress has been slow, largely because banking cultures differ so widely from one member state to another. Indeed, the trend has if anything been inward looking, with the emphasis on domestic mergers in markets from the Netherlands to Spain, Italy and – if Lloyds had had its way with Midland – the UK. That is fine as long as it is a first step towards a broader European approach. If not, bigger local banks will simply incur bigger local risks as the single currency comes into circulation.

IMF agrees to release $1bn credit for Russia

Continued from Page 1

was no mention of this in a joint communiqué issued by Mr Camdessus and Mr Gaidar yesterday.

Mr Camdessus is expected to brief the summit about his talks in Moscow. The expectation was that he would meet the finance ministers of the US, Japan, Germany, France, Britain, Italy and Canada tomorrow, before the meeting between G7 leaders and Mr Yeltsin.

Among the key issues to be discussed are the conditions to be attached to economic assistance being prepared for Russia and other former Soviet republics by the industrialised countries. On Saturday, Mr John Major, the British prime minister, warned that conditions should not be so strict as to be politically unacceptable in Russia.

Mr Major told a news conference in London that conditionality was necessary to ensure that the assistance was properly used and accelerated the reform process in Russia. "There is no point in those resources being made available unless the reform process accelerates," he said. But he warned that a "difficult balance" has to be struck in ensuring that Russia would be able to meet the conditions set by the west and "that the terms set are not so severe that they are politically undeliverable in Russia".

These were issues to be decided collectively by the industrialised countries and discussed with Mr Yeltsin this week.

Reuter adds from Moscow: Mr Andrei Kozyrev, the Russian foreign minister, predicted yesterday that Russia would eventually join the G7.

President Bush said last week he was prepared to discuss admitting Russia and the question would appear on the Munich agenda. Other G7 members said such a move was premature.

Italy raises discount rate to stabilise the lira

Continued from Page 1

from 1 to 1.5 percentage points the margin between the discount rate and the rate at which it makes fixed-term advances to the banking system. The new rate for advances, which was raised from 12.5 to 13 per cent last month, has now been pushed up to 14.5 per cent.

The decision to raise the discount rate, which was last lifted to 12 per cent in December, followed heavy speculative attacks on the lira late on Friday. After breathing a sigh of relief earlier in the week as a previous selling wave eased and bond prices improved, Friday's scenes in the foreign exchanges convinced the Italian authorities that action was required before the summit.

The lira and the Italian government bond market first came under pressure following Denmark's "no" vote in its referendum on the Maastricht treaty. The outcome cast the European integration process into doubt, raising questions about the commitment of some European Community member states, notably Italy, to meet the convergence criteria required for economic and monetary union.

World Weather

		°C	°F
Ajaccio	F	–	–
Algiers	F	27	81
Amsterdam	S	22	72
Athens	S	29	84
Bahrain	S	35	95
Bangkok	F	36	97
Barcelona	F	22	72
Beijing	S	34	93
Beirut	S	27	81
Belfast	S	18	61
Belgrade	S	29	84
Berlin	F	21	70
Biarritz	C	19	66
Bombay	F	32	90
Bordeaux	F	20	68

		°C	°F
Boulogne	C	16	61
Brussels	S	21	70
Budapest	F	28	82
Buenos Aires	C	12	53
Cairo	S	35	95
Cape Town	C	15	59
Caracas	R	30	86
Casablanca †	S	23	73
Chicago †	F	17	63
Cologne	F	22	72
Copenhagen	F	21	70
Corfu	S	28	82
Dallas †	S	24	75
Dublin	S	16	61
Dubrovnik		–	–
Edinburgh	S	16	61
Faro	S	24	75
Florence	F	20	68

		°C	°F
Frankfurt	S	20	68
Genova	F	18	64
Gibraltar	S	24	75
Glasgow	S	17	63
Helsinki	F	15	59
Hong Kong		–	–
Innsbruck	F	17	63
Inverness	C	14	57
Islamabad	F	39	102
Istanbul	S	28	82
Jakarta	C	33	91
Johannesburg	S	15	59
Lisbon	S	23	73
London	R	18	64
Los Angeles †	S	17	63
Luxembourg	T	17	63
Madeira	S	22	72
Madrid	S	24	75

		°C	°F
Majorca	F	23	73
Malaga	S	25	77
Malta	F	25	77
Manila	C	34	93
Melbourne	S	13	55
Mexico City	C	28	82
Miami †	F	27	81
Milan	R	16	61
Montreal †	R	17	63
Moscow	S	16	61
Munich	C	16	61
Nairobi	F	22	72
Naples	F	24	75
Nassau	C	30	86
New Delhi	S	35	95
New York †	C	20	68
Nice	S	23	73
Nicosia	S	28	82

		°C	°F
Oporto	S	23	73
Oslo	S	21	70
Paris	C	17	63
Prague	C	18	64
Reykjavik	R	8	46
Rhodes	S	27	81
Rio d'Janeiro		–	–
Rome	F	21	70
Salzburg	C	17	63
S'Francisco †	S	15	59
Seoul	F	30	86
Singapore	F	33	91
Stockholm	F	20	68
Strasbourg	F	20	68
Sydney	S	16	61
Taipei	C	31	88
Tangier	F	25	77
Tel Aviv	S	35	95

		°C	°F
Tenerife	C	24	75
Tokyo	R	25	77
Toronto †	F	14	57
Tunis	F	30	86
Valencia	S	27	81
Venice	F	21	70
Vienna	F	23	73
Warsaw	F	23	73
Washington †	S	23	73
Zurich	R	15	59

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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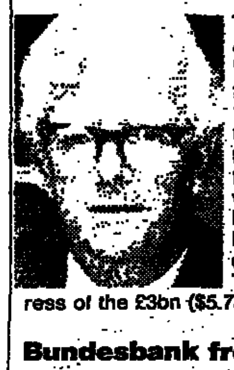
INSIDE

New software for Wellcome sale



The international tender offer of 330m shares in Wellcome Trust begins this morning. By the time the offer closes on July 24 the success or failure of the largest non-privatisation share sale ever seen will be publicly known. New software will allow Mr Roger Gibbs (left), chairman of the Wellcome Trust, to monitor the progress of the £3bn ($5.73bn) global sale. **Page 14**

Bundesbank frees market

The Bundesbank is liberalising the German capital markets by making it easier for foreign companies to issue commercial paper. From August 1, foreign companies will be able to make D-Mark commercial paper issues without having to set up a German offshoot. **Page 16**

Hard slog to lift profitability

The new assembly plant in Japan's Kyushu island, is, as Nissan likes to say, an engineer's dream. But this is a vision of efficiency and competitiveness which Nissan has yet to achieve right across the group. It last month installed a board of directors that must steer Japan's second largest car maker through one of the most difficult periods in its history. **Page 16**

Comeback by Dickson

Dickson Concepts, the wholesaler and retailer of designer luxury goods which last year paid £57m ($100m) for Harvey Nichols, the fashionable London department store, appears to be staging a comeback after its recent unfavourable showing on the Hong Kong stock market. According to Mr Dickson Poon (left), chairman and 51 per cent controlling shareholder, relocation of outlets and the surge in consumer spending resulted "in a direct reduction in overheads and a substantial increase in sales". In London, the Harvey Nichols store presented a different set of problems. **Page 15**

Manders scorns Kalon bid

Manders, the UK paint, ink and property group, yesterday dismissed the hostile £97m ($185.27m) all-share bid by rival Kalon as a move to eliminate competition. **Page 14**

Market Statistics

Companies in this issue

Spanish chemicals group seeks protection

By Peter Bruce in Madrid

SPAIN'S largest chemicals company, Ercros, will today file for protection from its creditors. The company failed last week to renegotiate its $2.15bn debts with bankers and suppliers or to persuade its main shareholder, the Kuwait Investment Office (KIO), to give it any more money.

Both the Ercros holding company and its deeply troubled fertiliser divisions will make protection filings, probably in Barcelona, today. The move will mark the biggest corporate collapse in Spain since the country became a democracy in 1977.

It will also be the first time KIO, the Kuwaiti government's international investment arm, has been so closely associated with a failure to repay creditors.

A statement by the group said that KIO, which owns at least 39 per cent of Ercros through Grupo Torras, its Spanish investment arm, was directly responsible for the decision to seek protection from creditors. It said the agency had insisted on the filing "to define its contribution to the final consolidation of the affected companies and so to confront existing obligations in framework of co-responsibility".

That means that KIO has refused to pump in an immediate $250m to save Ercros unless it is assisted in some way by the government. Madrid, in turn, insists it cannot inject any more funds into the group.

The decision has angered bankers and the government. Ercros, which employs 10,500 people and lost $160m last year, owes more than $200m to the Spanish state-owned Banco Exterior, and owes money also to Banco Santander, Banco Central Hispanoamericano and Banco Bilbao Vizcaya. About $30m in credits from Barclays and Bankinter are understood to be guaranteed by KIO's wholly-owned Spanish holding company, Torras.

Some bankers suggested at the weekend that by forcing Ercros into a suspension of payments, KIO might be placing its international credibility as a borrower at risk. Torras has a large convertible bond outstanding which, if the Ercros payments suspension were to trigger any default clauses, might be threatened. But KIO appears to be safe from default as it is a shareholder in Ercros and so not directly liable for its debts.

Andrew Jack on how UK firms are facing the impact of recession

An icy wind chills accountants' offices

After more than a decade of rapid growth, Britain's accountancy firms – from the largest downwards – are having to face up to the realities of recession; from which they were for so long shielded by their clients.

With two mergers announced within the last month, attention is increasingly focusing on whether the existing number of medium-sized firms is sustainable. Their larger competitors are equally under pressure.

The figures in the recently published Financial Times top 25 accountancy firms table tell a clear story. The rapid expansion of the last decade has evaporated. The fee income growth of most firms has struggled to keep pace with inflation this year, while only four managed to achieve growth above 10 per cent.

Four reported a drop in fee income. That included Coopers & Lybrand, the UK's biggest and one of its most aggressive practices, which fell by 0.52 per cent to £577m ($1.1bn). The figures reflect a year of painful change for the firm.

Mr Brandon Gough, Coopers' senior partner, is telling his colleagues that – with profits down, 20 fewer partners than the 735 of a year ago, and professional staff 15 per cent down – there is further cost-cutting to come.

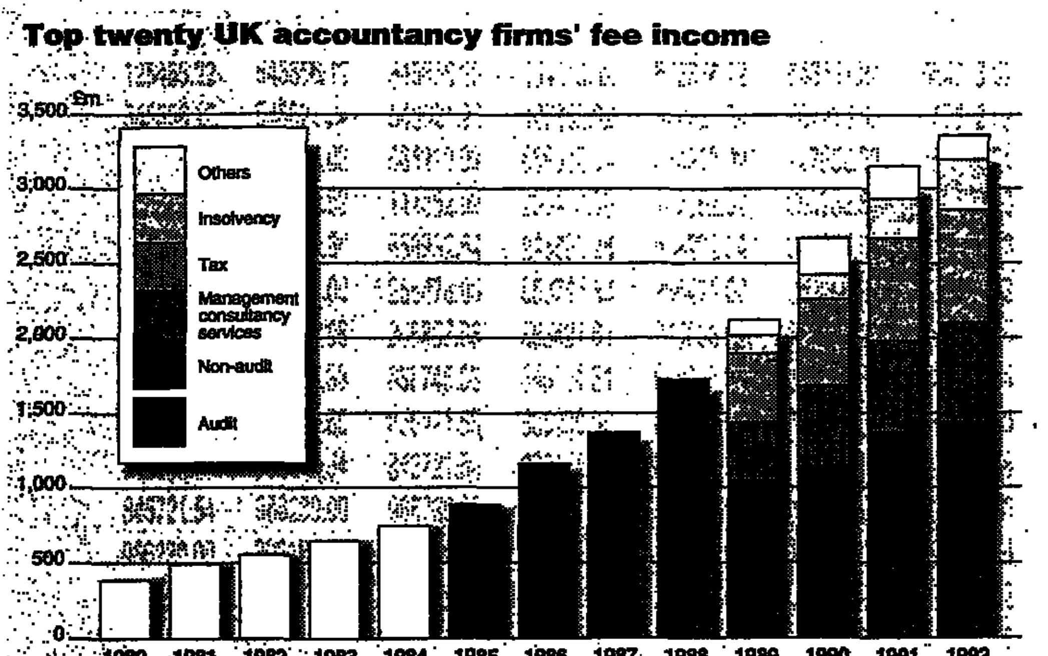
"We were a little bit slow to face up to the realisation that the business had to shrink," says Mr Gough. "We were hoping 12 months ago that the recession would end. We saddled ourselves with a higher cost base than necessary."

The recession could not have hit accountants at a worse time. Just when costs and expansion plans were running at peak levels, demand for business shrivelled.

In the past decade, the firms had become huge businesses. Total fee income from the largest firm in 1984 was just £74m, and from the top 21 firms only £738m. This year the top 21 firms generated £3.3bn in fees.

Practices have gone through a phase of mergers: Coopers with Deloitte, Ernst & Whinney with Arthur Young, Peat Marwick with Thomson McLintock. This saddled firms with extra costs including superfluous staff, redundant buildings and duplicative systems.

Top twenty UK accountancy firms' fee income



1980-84 figures are total fees; 1985-88 figures are divided into audit & non-audit fees; 1989-92 figures are audit plus non-audit fees sub-divided into four categories

Source: FT annual accountancy tables

Suddenly, the impact of the economic downturn hit. Corporate finance work dried up with the dearth of merger and acquisition activity. Companies cut consultancy budgets, and began tendering for contracts more frequently. The accountancy firms intensified competition against one another in a scramble to maintain clients.

At the same time, with unemployment in the financial service sector rising, fewer employees were willing to leave voluntarily. Staff turnover dropped sharply as a result, leaving many department managers with the double worry of excessive head-counts on top of shrinking demand.

Equally, partners have faced demoralising questions over their competence as auditors in the wake of a series of high-profile corporate collapses. Attention has turned more than ever to the threat of legal action against auditors – and its reflection in rising professional indemnity insurance premiums.

Cost-cutting has become a way of life at many of the big firms. In the secretive world of the partnerships, none will reveal much about either costs or profits. But Price Waterhouse said earlier this month that it had reduced its cost base by nearly £30m last year. In the same period, KPMG Peat Marwick closed six of its 53 regional offices. "We are much more aware of costs than we used to be," says Mr Jim Butler, Peat's senior partner.

In such a people-heavy business, the principal means of cost-cutting is through job losses. Nearly every firm has had to reduce its workforce, first by natural wastage but increasingly by redundancy. Although technically partners can only be dismissed on a full vote of their peers, many have been "encouraged" to retire early or leave because their aims and those of the firm are no longer compatible.

The process has caused no little bitterness. Mr Gough says: "There has been great sadness at some of the mechanisms required. Redundancy is something very foreign to all of us. It is a step I regret but it has been necessary. We have moved away from the certainty of extended employment."

He believes that the next 12 months will remain very uncertain for the firms, and expects to continue "pruning back" costs. But he also points out that partnerships are fragile structures that depend on team-work, which is very difficult to maintain under the shadow of job losses.

Conventional wisdom has it that only the counter-cyclical rise in insolvency income in the last year has saved the firms from a far worse fate, as their specialist arms have expanded to take on a large number of receiverships, administrations and financial restructurings.

In fact, while insolvency-related income in most large firms has grown sharply, even this year it contributed a small proportion of total revenues.

The picture of decline has to be put in perspective. Average growth in the top 20 firms was 13.83 per cent last year. This year it is still 4.62 per cent. Hasty expansion has been replaced by more measured increases.

And at Arthur Andersen, revenues rose 23 per cent last year – a figure which, says Mr Roy Chapman, senior partner, "surprised us a little bit". He has managed to increase staffing, not least aided by a very strong computer consulting arm.

Overall, the larger accountancy firms have been expanding market share. The top six firms grew by an average of 8.37 per cent this year, and received 75.7 per cent of the income going to the top 25, against 74.4 per cent last year and just 51 per cent in 1978.

The figures drop consistently, so that the seven smallest of the top 25 grew by just 0.43 per cent, and had 2.7 per cent of the market, down from 2.9 per cent in 1991.

This suggests that some of the smaller practices may not be able to survive independently for much longer – a point perhaps heralded in the merger of Stoy Hayward and Finnie last week.

For most firms, the talk now is of quality, professionalism and attention to clients. Like the companies they serve, they are concentrating on providing core services. After a decade of acceleration, they are changing gear. As Mr Butler says: "I think the double-digit growth of the late 1980s is a thing of the past."

Bond and equity offerings at record

By Tracy Corrigan in London

THE volume of international bond and equity offerings rose to record levels in the first half of 1992, boosted by lower interest rates and bullish world stock markets, but syndicated lending showed a further decline.

The decrease in bank financing reflects the shortage of bank credit, as banks try to conserve capital. They have also become wary of lending to companies, following a series of well-publicised defaults on bank debt.

Companies have taken advantage of strong stock markets to restore their balance sheets and widen their shareholder base, while lower interest rates have encouraged a wave of refinancing in the international bond markets.

International investors bought equity offerings totalling $13bn, compared with $9bn in the first half of 1991, and international bond volume rose to $147bn, a 14.5 per cent increase, according to IFR Securities Data. Meanwhile, syndicated lending totalled $164bn in the first six months, a 32 per cent drop from the first half of 1991, according to Euromoney.

The pace of activity in the international bond markets is not expected to ease in the second half of the year. "The issue calendar remains hefty ... benefiting from borrowers' needs to proceed with the refinancing of maturing debt, which is likely to exceed $190bn for the year as a whole," predicts the latest Financial Market Trends report published by the Organisation for Economic Co-operation and Development.

However, the recent malaise of many of the world's stock markets has already caused a number of planned equity offerings to be cancelled or postponed.

US companies dominate, Page 19

A blueprint for policymakers in a world of change

Economics Notebook

By Peter Norman

AS the leaders of the Group of Seven countries gather for their 18th world economic summit in Munich today, it is a sobering thought that after 17 such gatherings since 1975 the world economy seems as difficult to manage as ever.

We are now a quarter of the way through the 1990s and the decade has so far failed to live up to earlier expectations that it would be a period of good economic performance. World growth has been feeble. Unemployment in the 24 industrialised nations of the Organisation for Economic Co-operation and Development has jumped from less than 25m two years ago to around 30m today.

It remains to be seen whether last week's cut in the US discount rate to a 29-year low of 3 per cent can banish fears of a "triple-dip" US recession. The persistent failure of the UK economy to resume steady growth is politically uncomfortable for Mr John Major, the prime minister, and Mr Norman Lamont his chancellor, and promises to make this year's public spending round extremely difficult. While the Bundesbank has suggested that Germany, the summit host, may achieve growth of around 2.5 per cent this year, there are fears in some G7 capitals that Japan's present economic slowdown could turn into a recession.

In these circumstances, a recent book* on economic policies for the 1990s, edited by two senior OECD officials, offers governments little comfort. "While bad policy almost always results in bad performance – witness the performance of central planning in the eastern European economies – good policy can generally only permit, or at most encourage, good performance," they say.

Mr John Llewellyn, who now heads the private office of the OECD secretary general, and Mr Stephen Potter, director of the organisation's important country studies department, are in a strong position to make such judgments. They have held senior posts at the OECD for 15 and 20 years respectively and so lived and worked through all the changes of fashion in economic policymaking over the past two decades.

Perhaps the most daunting lesson that they draw from their own research and that of the book's other contributors is that supply side shocks should be regarded by economic policymakers as a rule rather than an exception. In their view, the relatively calm years of the 1950s and 1960s were an aberration from the long-term norm and not a state to which the world economy can easily return.

This means that policymakers, managers and employees must be prepared to adapt constantly to unforeseen circumstances. Moreover, macro-economic and micro-economic policies cannot be viewed in isolation.

To some extent, these lessons have already been taken on board. Policymakers over the past decade have realised that structural policies which modernise economies through deregulation and the elimination of rigidities are of vital importance.

But it does no harm to remind policymakers that they have to be more imaginative. Unemployment, for example, has become much more of a structural phenomenon as old industries die and new activities emerge. In response, governments should adopt (and some have adopted) so-called "active" labour market policies, which focus on increasing the incentives for the unemployed to seek jobs or improving training rather than simply providing income support. Although Mr Llewellyn and Mr Potter do not elaborate, the corollary for displaced managers and employees is that they must be more willing than before to "get on their bikes" in search of work.

It may seem tough luck that so soon after the collapse of communism and the discrediting of such doctrines as Trotsky's theory of permanent revolution, the winners of the ideological battle should be condemned to a life of permanent adaptation. But capitalism has always demanded such a price for the rewards that it distributes. The difference today is that international competition is so intense that the pain is felt sooner.

Accommodating that pain in the political structures of the industrialised democracies is no easy task, however. The stalled Uruguay Round of trade liberalisation talks shows how difficult it is for governments to translate good intentions into action when powerful vested interests are involved. Another point underlined by Mr Jean-Claude Paye, the OECD's secretary general, in the foreword to the book, is that the market economy must offer sufficient economic justice. "Each must firmly believe that the opportunities open to him and her are not unduly limited and efforts are fairly rewarded."

But what should governments do to secure better economic performance? The book's editors have drawn up a checklist of five guiding principles for policy.

- Market forces have a key role to play. "Although market failure can occur, it is generally appropriate to start from the presumption that market-based policies will lead to a stronger economy."
- Policies need to be sustainable so that people and businesses can base their decisions on reliable and credible signals and be spared disruption caused by changing policies in response to crisis.
- Economies must be able to adjust to shocks.
- Governments should aim for a balanced mix of policies. In a passage of some relevance to the UK, they say: "When objectives are numerous it makes no sense to jettison any proven instruments, let alone place overwhelming reliance on a single one."
- International co-operation is useful – the guidelines are easier to follow if other countries follow them too.

Messrs Llewellyn and Potter admit that the list may seem uncontroversial. The principles are already being followed to a considerable extent, they admit. "But there are numerous examples in recent history where economic performance would have been better had they been accorded greater weight," they say.

**Economic Policies for the 1990s, Edited by John Llewellyn and Stephen Potter, published by Blackwell at £50.*

DTI Astra report criticises auditors

By Andrew Jack and Jimmy Burns in London

UP TO 25 individuals and organisations may be criticised in the long-awaited UK Department of Trade and Industry investigation into Astra, the collapsed UK munitions group, which is due to be published next month.

Inspectors have sent 25 critical letters to those involved, particularly in the £36m rights issue in July 1989 and the purchase of Poudreries Reunies de Belgique (PRB), a Belgian company which made propellant for the Iraqi supergun.

Among those criticised is Stoy Hayward, the accountancy firm which was the company's auditor. It has received one letter addressed to the firm, and two individually to partners involved on Astra work – although neither still works with Stoy.

Former directors have also been criticised, but are understood to be furious that the inspectors have apparently not examined allegations of the UK government's involvement in defence deals which may have played a part in Astra's downfall.

Stoy Hayward yesterday said it would not comment "until we have seen the final report and in particular the inspectors' conclusions in relation to the directors".

Others under the scrutiny of the inspectors include directors of Astra, and professional advisers to the rights issue: Paine Webber International, the merchant bank, Hitchens, Harrison & Co, Astra's stockbrokers, and Baileys Shaw & Gillett, its solicitors.

Manders scorns Kalon bid as a defensive move

By Peggy Hollinger

MANDERS, the Wolverhampton-based paint, ink and property group, yesterday dismissed the hostile £97m all-share bid by rival Kalon as a defensive move to eliminate competition. "They are trying to nip competition in the bud before we tear them to pieces," said Mr Roy Akers, chief executive. "And it won't work."

In the defence document, published yesterday, Mr Roy Amos, Manders' chairman, claimed the offer was "wholly inadequate" and did not take into account the significant increase in the value of Manders' investment property, a shopping centre in Wolverhampton.

He added that the real reason for the bid was his company's acquisition of the Windeck paint manufacturer, Kalon's main competitor in the own label business. Windeck "is now a serious challenge to Kalon," he said. The Windeck acquisition would contribute more than £1m to profits in the first half, Mr Akers said.

Mr Amos claimed that Kalon's sharp rise in profits last year – a 57 per cent jump to £9.2m – was the result of windfall factors. He cited the general increase in paint prices of about 10 per cent and the decline in raw material costs.

"The price of Kalon shares which ordinary shareholders are being offered is inflated by windfall profits and may not be sustained," he said. "These circumstances are unlikely to coincide again." A takeover would also mean a 16 per cent reduction in dividend, he added. Kalon's 8-for-3 offer made last month values the target's shares at 262.6p, compared with Friday's close of 259p. Kalon closed at 98¼p.

Mr Mike Hennessy, Kalon's managing director, said the defence document had a "very hollow ring". He accused Manders of avoiding the questions raised by the offer document, such as the target's decline in profits. The company challenged Manders' accusation of windfall profits. "How come they didn't benefit from the decrease in raw material prices and increase in paint prices?" a spokesman asked.

Davy payout hopes fade

TRAFALGAR HOUSE has expressed further pessimism over the chances of former Davy shareholders receiving the remaining £54m, or 45p a share, due under Trafalgar's successful takeover of Davy.

In a letter to former shareholders it said no progress had been made by Midland and Scottish Resources on completing the purchase from Davy of the Emerald Producer offshore rig. Payment to shareholders is conditional on the sale.

Even if MSR wins from its bankers an extension of expired letters of credit, MSR is "most unlikely" to obtain a Section 10 ship certificate from the Department of Trade necessary to complete permanent finance of the rig, Trafalgar said.

London Share Service

The following companies were reclassified in the London Share Service with effect from July 3:

VTR (from Business Services to Media); Molynx and TDS Circuits (Electricals to Electronics); Photo-Me (Hotels & Leisure to Miscellaneous); Scottish Asian Inv. (Inv. Companies to Inv. Trusts); Brandon Hire (Miscellaneous to Contracting Construction), Crestacare (Misc. to Health & Household), Kalamazoo (Misc. to Electronics); Flextech (Other Financial to Media); Neotronics (Other Indl. Materials to Electricals), Process Systems (Other Indl. Materials to Electronics); Olives (Paper, Packaging & Printing to Property).

Wellcome puts its trust in a software remedy

Maggie Urry on the corporate plans to combat complications surrounding the £3bn global share offer

AT 8.30 this morning the international tender offer of 330m or so shares in Wellcome Trust will begin. By the time the offer closes at 5pm on July 24 the success or failure of the largest non-privatisation share sale ever seen will be known.

Over the following weekend a price will be set according to the level of demand and the trust will decide exactly how many shares to sell and allocations will be made.

From a low, black leather and chrome sofa, Mr Roger Gibbs, chairman of the Wellcome Trust, will be able to watch the progress of the £3bn global sale of about half the charity's shares in the drugs group.

Roger Gibbs (foreground) keeps an eye on progress in the computer room at Flemings

The sofa has been installed in a small, dark room on the third floor of Robert Fleming's offices in the City of London. The rest of the room is bursting with computer screens and banks of files, and an illuminated map of the world has been fixed to one wall.

Should Mr Gibbs find all this too oppressive, a fridge full of cooling drinks has been brought in. Fleming has thoughtfully provided a bowl full of variously-shaped wooden blocks for Mr Gibbs to manipulate in moments of tension.

The room has been built to handle the first global book-building exercise of the size of the Wellcome sale.

Mr Ian Hannam, who is heading the book-building team, has designed entirely new software to drive the computers which will not only record and update bids entered by potential investors, but which will also help allocate the shares.

He is coy about how much Fleming has spent on the system – if only because he has already received offers from American banks keen to buy it from him.

Fleming has organised the sale into nine regional syndicates – two for the UK, institutional and retail, the US, Japan, France, Germany, Switzerland, Pacific Rim and Rest of the World.

Mr Hannam says that Fleming itself is in every syndicate, so that there are no surprises for him.

Institutions interested in buying the shares must put in a bid to their local syndicate. The bids are "good till cancelled" but can be changed up to the last day of the tender period.

Bids put in will name the buyer – if the order is for over £100,000 worth – the amount they want to buy, and a price they are prepared to pay.

The price can be on one of three bases, the strike price – accepting the price set by the tender – a fixed price in pence, or a price set in terms of the existing market price of Wellcome's shares. By the end of the tender period any market price bids will have to be converted into either fixed price or strike price bids.

Buyers will be categorised not only by size and price of the offer but also by the quality of the bid and the bidder. This is perhaps the most controversial aspect of the way the sale is being handled.

But Mr Hannam believes that bidders who are helpful to the sale should be rewarded. For example, bidders who put in a tender early have a better chance of getting shares. Although every successful bidder will eventually pay the same strike price, a bidder which has been more aggressive on price will be treated more favourably.

And bidders will be categorised as types of investor ranging from "existing shareholder" through "flagship investor" to "good", "moderate" and "other".

Existing shareholders will get priority. Bidders can buy shares during the tender period to join the ranks of existing holders, so long as they can prove they have bought shares.

In the "other" category will be placed bidders who are not regarded as likely long-term holders of the shares, or any which play around – for example by selling shares in advance in an attempt to push down the Wellcome price and then buy cheaper in the tender.

All bids will be timed, and bidders will keep their place in the queue so long as the bid is maintained or increased. But says Mr Hannam, the system is designed to identify anyone who decreases a bid. Such a bid would go to the bottom of the queue again.

The idea is to encourage people who are conservative at the start but become more aggressive during the period – the ideal for building a book.

Mr Hannam also says that Fleming is only concerned with getting the best deal for the trust. Unlike some UK houses it is not worried about repeat business – it will not "look after its friends". Mr Hannam says: "If he comes in late he can be the Prudential and he will not get any".

At the end of each working day the regional syndicate computers will upload that days bids to the central Fleming computer. And every morning at 11.30 Mr Hannam will head a meeting to discuss how the book building is going.

Mr Hannam can sit and play with the computer allocation model as the book begins to build. The computer can draw a demand curve, showing how much interest there is at each price so that Fleming can decide where to set the price to achieve the best balance between the number of shares sold and price maximise the money raised.

But the computer can go much further than that. It can also work out how to allocate shares between different bidders on the various criteria of earliness, aggressiveness and quality. For instance, a top quality bidder could be rewarded with 100 per cent of the stock he has put in for, while bids from "others" could be cut to a low percentage or excluded all together.

Fleming can override the computer, for example to look after UK retail investors. Once the allocations have been set the computer will print them all out on a regional basis.

It is a far cry from old-fashioned placings, where a stockbroker's sales team with a list of clients would sell substantial chunks of shares in a morning. But a deal the size of Wellcome cannot use such simple methods, when as Fleming can say, "we have the technology".

Greece Fund reorganisation

By Norma Cohen, Investments Correspondent

THE GREECE FUND, a closed-end investment trust managed by Schroder Investment Management, has unveiled details of a reorganisation proposal intended to improve liquidity in the shares.

Last November a group of dissident shareholders in the Greece Fund unsuccessfully sought an extraordinary general meeting to force Schroders to take steps to allow them to sell their shares at a price close to net asset value.

Those shareholders argued that although the underlying investments had performed very well, they were unable to realise gains because there had been no marketmaking in the shares. Although the bid was narrowly unsuccessful, Schroders since then has been studying ways to improve liquidity.

The measures will include an amendment to the the Greece Fund's articles allowing shareholders to receive cash for up to 30 per cent of their stakes by the beginning of 1993 and an additional five per cent per quarter. Those accepting payments in kind may redeem their entire holdings.

Also, the Greece Fund's depositary warrants will be cancelled at a five per cent premium to inherent asset value, while the international depositary receipts will be cancelled in exchange for the underlying shares in registered form.

It is intended that the central management and control of the company will be moved to Jersey from the UK and a listing will be sought in Ireland.

£2.7m loss at Anglo St James

DESPITE adverse conditions in the property market which led to a pre-tax loss of £2.72m in the 18 months ended December 31 1991, Anglo St James achieved some progress.

Mr Jeffrey Green, chairman, said important points were the merger of the former company, Anglo-Park, with St James Estates, settlement of a litigation claim for £1.75m, plus costs to be assessed, against a firm of chartered surveyors, and a reduction of borrowings by achieving lettings and disposals at "acceptable levels".

Since the year-end overall net borrowings have been cut by 27 per cent to about £5.7m. The group continued to operate well within its bank facilities, the chairman said.

In the 18 months the group incurred an operating loss of £1.08m (profit £329,000 for the year to June 1990). But exceptional charges of £1.56m pushed the pre-tax level to £2.72m (profit £404,000).

Trading losses were expected to be reduced significantly in 1992, a year of consolidation, Mr Green stated. Rental income now exceeded interest payable and made a substantial contribution towards overheads which had been reduced significantly since the merger.

The exceptionals included the recovery from the legal action, less charges. The principal items in those were provisions against investment properties £1.62m and against properties held for resale £945,000.

Losses per share were 23.1p (earnings 4.4p). There is no final dividend to leave the payment at 0.5p (3p for previous year).

COMPANIES AND FINANCE

A mixture of luck and hard decisions

Simon Holberton examines the reasons behind the resurgence of Dickson Concepts

DICKSON Concepts, the wholesaler and retailer of designer luxury goods which last year paid £57m for Harvey Nichols, the fashionable London department store, appears to be staging a come back after its recent unfavourable showing on the Hong Kong stock market.

After virtually no growth in either sales or profits for 18 months, it sprang a HK$1bn rights issue on shareholders at the time of the Harvey Nichols purchase. Both takeover and funding were poorly received.

However, following a strong second half, profits for the year ended March 1992 rose 37 per cent to HK$281.8m on revenues 9 per cent higher at HK$2.4bn.

The turnround has been a combination of good luck and hard decision making. First the luck. In Hong Kong rents for retail space have fallen 30 per cent over the past year and Dickson Concepts, which operates 33 retail outlets in the colony, has benefited from those market conditions, if not by the full amount.

Hard decisions have been made in Taiwan and the UK with Harvey Nichols. Both have paid off and Dickson Concepts now expects both operations to make significant contributions to profits in the coming years.

A department store in Taiwan – located in an area of Taipei where a mass transit railway is being built – was sold and the seven boutiques which it once housed were placed in less congested areas of the city. This occurred at a time when consumer spending was recovering.

According to Mr Dickson Poon, the chairman of the company and its 51 per cent controlling shareholder, the combination of relocation of outlets and the surge in consumer spending resulted "in a direct reduction in overheads and a substantial increase in sales."

In London, the Harvey Nichols store presented a different set of problems. A three-pronged plan to get a firmer financial control of the property and develop the store and the brand name has been embarked upon. Mr Poon says successes have already been achieved and that Harvey Nichols is now showing a profit after providing for financing charges.

The first decision was to relocate offices to a nearby building. This, together with a reconfiguration of the lower floor of the store, freed up to 20,000 extra square feet of retail space. This was completed in April and has begun to make a positive contribution to revenues.

In parallel, management set about regaining control over stocks. When Dickson Concepts acquired Harvey Nicholls the store's stock/loss ratio was in excess of 10 per cent.

That has been cut to 3 per cent, and Mr Poon says that when real time information technology designed to control stock better is introduced, that ratio should drop to 1.5 per cent or lower. Technology will also bring other benefits.

"We will get improved efficiencies from the information it will provide," he says. "We will be able immediately to identify which lines are selling fastest and this will be invaluable for the buyers and merchandisers."

Ashley Ashwood

Dickson Poon: not easy to develop a new brand

The third prong of the plan is to develop Harvey Nichols as a reputable brand name. In September a new line of womens wear will be launched and, at the same time, a Harvey Nichols boutique will be opened in Hong Kong.

"It is not easy to develop a new brand," Mr Poon conceded. "But Harvey Nichols has an owner which has the information and has the management that fully understands consumer taste and demands and distribution."

It remains to be seen whether these skills extend to food retailing – another leg of the development plans.

Dickson Concepts plans to open a food hall at Harvey Nichols in September or October, and is considering replicating that in other parts of the UK.

Whatever the success of the food retailing idea, in the short to medium term analysts and the company expect Harvey Nichols to account for up to 10 per cent of Dickson Concepts' profits, or £2m-£3m a year by 1993.

For more than a year Dickson Concepts has been researching the China market. Shortly it will announce a joint venture with a mainland partner to develop, make and market a range of up-market apparel and accessories. The company has already identified manufacturers throughout China.

According to Crosby Securities, a local broker, there are 4m individuals who earn more than Yn30,000 a year (compared with an average annual income per head of around Yn2,000) located mainly in Shenzhen, Shanghai, Guangzhou, and Shanghai.

Mr Poon feels that his company's expertise in marketing, product development and fashion gives it an edge in developing sophisticated but affordable products for the Chinese market. He is aiming to offer these consumers a total head to toe "lifestyle".

Whether he can develop China as one of Dickson Concepts core businesses is open to question, given the difficulties of distribution and the mainland bureaucracy. But, as one analysts noted: "Dickson is one for stretching the bounds of credibility and then proving people wrong."

TR Technology net assets rise to £185m

TOTAL NET assets of TR Technology grew by 4.7 per cent to £185m in the year ended April 30 1992, but net asset value per share fell to 111.85p, against 124.25p a year earlier.

Net revenue in the year dropped to £2.95m (£3.33m) reflecting both lower interest rates on cash deposits and a higher average weighting over the year in the US market where dividends on smaller technology companies are rare.

Earnings dipped by 36.5 per cent to 2.31p, while the dividend has been maintained at 1.75p excluding last year's special 0.45p.

The company warned, however, that it might be necessary to reduce the base level of ordinary dividends. That arose from the board's intention to continue to add to holdings of lower yielding US technology shares, which together with the expectation of lower interest rates on liquid balances and only modest dividend growth in the UK, implied that the company's revenue account would come under growing pressure.

The company announced that it was making arrangements for the listing of a "unit" of the shares, comprising 7 Zero dividend, 4 stepped preference and 4 ordinary shares.

Offer opens for Romanian brewer

Romania kicks off the sale of state enterprises today when the public offer opens for Ursus, a regional brewery, writes Virginia Marsh in Bucharest.

Romanians have until July 24 to subscribe for 51 per cent of shares in Ursus, one of 30 companies which volunteered for early privatisation under a pilot scheme organised by the country's National Privatisation Agency.

The remaining 49 per cent will be sold directly to one or more large investors, foreign or domestic, according to the terms of the offer, which has been well publicised in the Romanian press.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Finparcom (Luxembourg)/ Alcatel (France)	Alcatel Italia (France/Italy)	Telecoms	£500m	Fiat exits telecoms
Unifund (Switzerland)	Sanson (Spain)	Cement	£304m	Surprise Banesto sale
Kyoei Steel (Japan)	Florida Steel (US)	Steel	£180m	LBO debt forces deal
Northern Telecom (Canada)	Matra Communications (France)	Electronics	£138m	20% stake + jv
Homedco Group (US)	Unit of BOC (UK)	Health care	£38m	None-core sale
Medeva (UK)	Intl Medication Systems (US)	Pharmaceuticals	£15.4m	Fast growth continues
Jack Chia-MPH (Singapore)	Boustead (UK)	Industrial trading	£14.3m	Novel 2-tier offer
British Steel (UK)/ Avesta (Sweden)	Avesta Sheffield (jv)	Steel	n/a	Continues Euro restructuring
British Gas (UK)/ Agip (Italy)	jv	Oil and gas	n/a	2nd big deal in Kazakhstan
RJR Nabisco (US)	Satoraljaujhely Dohanygyar (Hungary)	Cigarettes	n/a	West continues buying industry

Source: FT Mergers + Acquisitions International

Investors back Hafnia DKr2bn rights issue

By Hilary Barnes in Copenhagen

HAFNIA Holding, the parent of Denmark's second largest insurance group, last night avoided going into receivership by securing the backing of its institutional investors and main bankers for a DKr2bn rights issue today.

The institutional investors said they and the banks would guarantee the issue after auditors worked through the weekend to establish the true state of the group's finances.

This follows the revelation late on Friday that irregular dealings by a senior manager have cost Hafnia an estimated DKr350m ($59.9m). This means the group has a negative equity capital of DKr450m, according to a statement on Friday to the Copenhagen Stock Exchange. However the group asked the exchange to lift the suspension of its share quotation, which took effect on Wednesday, to enable trading in a new rights share issue to begin today.

Mr Holger Lavesen, chairman of the supervisory board, had said on Friday that the issue would only go ahead if investigations into the company's affairs did not to turn up any new skeletons. Until the investigation was completed, Mr Lavesen said he could not rule out anything, saying it was possible the group would have to go into receivership.

The guarantors of the rights issue said they continued to support it, and the company's leading bankers were also prepared to continue their support for the time being.

The latest chapter in Hafnia's drama began on Wednesday, when it was revealed that a deputy general manager, who has been dismissed, had committed the company, through a put option, to acquire shares in Interbank, a small Copenhagen niche bank, at DKr288m. Hafnia will incur a loss of DKr35m to DKr45m on the deal, it said.

But on Friday Mr Lavesen said that further contracts for the purchase of shares – for later delivery at a price fixed in advance – had been found.

The irregularities found so far could cost the company DKr350m. The contracts, said Mr Lavesen, who was brought in as chairman on June 2, had not been properly recorded in Hafnia's books and had not been known to the board.

Meanwhile strategic investments in shares in Baltica, its domestic rival, and Skandia, Sweden's biggest insurer, are at the centre of Hafnia's problems. As the value of these holdings has collapsed, Hafnia Holding's equity has shrunk from more than DKr6bn to its present negative DKr450m in little more than a year.

Police are investigating illegal intra-group borrowings to finance the strategic share investments as well as the irregularities revealed over the past few days.

Samsung wins approval to become vehicle maker

By John Burton in Seoul

SAMSUNG has received government approval to become South Korea's sixth vehicle maker despite protests from the domestic industry.

Samsung Heavy Industries, the shipbuilding and heavy equipment subsidiary of South Korea's largest conglomerate, will begin producing heavy trucks and construction vehicles in 1994 in technical co-operation with Nissan Diesel Motor of Japan.

South Korea's other vehicle producers argued that Samsung's entry will contribute to overcapacity when domestic demand for heavy trucks is falling due to a construction slowdown. Sales of heavy trucks last year amounted to 27,900 units, including 2,000 that were imported.

Saab chief named to be head of Adam Opel

By John Griffiths

MR DAVID HERMAN, who has overseen the start of a revival at Swedish car maker Saab since it became a joint venture company with General Motors in 1990, has been named as chairman and managing director of Adam Opel, GM's German car subsidiary.

Mr Herman, a 46-year-old New Yorker who quickly became a widely liked and respected figure as president and chief executive of Saab Automobile, succeeds Mr Louis Hughes, 43.

In April Mr Hughes was named to take over as president of Zurich-based General Motors Europe, the umbrella company for all GM's activities in Europe.

The shuffle represents the knock-on effects of the abrupt departure in March of Mr Hughes' predecessor, Mr Robert Eaton, to become chairman-elect of Chrysler, the third largest of the big three US vehicle makers.

Mr Herman has been leading Saab through a difficult period of rationalisation, which is expected to cut the company's payroll by a third over three years. He has also been overseeing an intense new model programme which will see a succession of wholly new cars being launched, starting next year.

In May, Saab Automobile announced losses of SKr293m ($49.8m) for the first quarter of this year – a 69 per cent improvement on the SKr953m deficit in the first three months of 1991, although it was a larger loss than the SKr134m sustained in the fourth quarter of last year.

Sales rose to SKr3.9bn, compared with SKr3.37bn for the year earlier period.

Opel expects a further drop in profits during this year after a 19 per cent decline in net income last year to DM1.1bn ($720m), reflecting a shift in business away from the domestic market, where the post-unification car sales boom has tailed off, to export markets where margins are lower.

Nissan faces a hard slog to lift profitability

Steven Butler reports on the Japanese car manufacturer's change in strategy

Nissan Motor's recently-inaugurated assembly plant in Japan's southern Kyushu island, is, as the company likes to say, an engineer's dream – from the flexible robots that can weld four different body models in succession, to the computer controlled final assembly line, where vehicle chassis stop precisely to allow robot installation of everything from engines to seats.

It is a vision of efficiency and competitiveness which, unfortunately, is very much a goal for Nissan as a whole to achieve, rather than something to sit back and enjoy. Nissan late last month installed a new board of directors that will have to steer Japan's second largest car maker, fourth largest in the world, through one of the most difficult periods in its history.

Sales are sluggish, profits are plunging – down 71.8 per cent at the operating level last year – and Nissan's debt is soaring, up to Y3,568bn ($28.63), or 147 per cent of equity. The parent company operating profit margin slipped to 0.08 per cent, and it was forced to sell securities for a net gain of Y38.8bn to boost pre-tax profits.

As a result, Nissan is short of cash needed to fund investments for a badly needed lift in productivity and, with its debt rating having been recently lowered by Moody's, it will have to pay more for money it does raise in the market.

Mr Tadashi Kume, who became chairman, made a herculean effort to turn Nissan round during his seven-year tenure as president. Nissan had been in decline for years, with its 30 per cent share of the Japanese market gradually slipping away to about 23 per cent. The company was often behind in both style and technology and hampered by a difficult union relationships.

Mr Kume, however, managed to stop the rot. The settlement with the union came mainly before he became president, but under his leadership Nissan launched a design revolution in the Japanese car industry with a series of cars that caught the public imagination.

"It is often said that Nissan is very bureaucratic, but I think we changed this culture so that it it is more customer oriented and more open," he recently told the FT.

Nissan's domestic market share stabilised as a result, allowing the company to participate fully in the rapid growth in the Japanese market at the end of the past decade, although it failed to regain lost market share. The company also never regained momentum in the US, where its product offerings could not match the mass-market appeal of the Honda Accord or the Toyota Camry, and sales there have been falling.

Mr. Yoshifumi Tsuji, Mr Kume's successor, takes over at a difficult time because the expensive effort to renew Nissan was only half complete when the car industry slipped into recession last year.

Yoshifumi Tsuji (left), president, inherits a company in better shape than it was for his predecessor Tadashi Kume (right)

Mr Kume spent money to develop new models, and while Nissan models on the market grew from 39 in 1985 to 60 in 1991, average sales per model fell from 26,771 to 22,364.

It was late in the decade that Nissan began to renew production facilities, and Nissan's capital spending tripled in three years until it reached Y318.6bn in fiscal 1990. Nissan has opened three new assembly plants in the past year – in Kyushu, in the US and the UK.

This surge in spending weighed heavily on Nissan's accounts last year in the form of increased depreciation charges, which were Y134.4bn and expected to rise this year.

In the middle of this difficult financial outlook, Mr Kume has been leading a campaign to shift company strategy away from an all-out effort to increase sales, to a renewed effort to improve profitability.

He says: "In order to get higher profitability we have to place more emphasis on features of the car or the qualities of the car, or good service. In other words, the total management is more important and not just the volume of sales."

Mr Kume also believes Nissan needs to improve the quality of the sales force, and, perhaps most important, reduce costs. "We are not number one in terms of labour productivity," he admits.

Indeed, Mr Stephen Usher, analyst at Kleinwort Benson, calculates that labour accounts for 8 per cent of operating costs at Nissan, compared with 5 per cent at Toyota. Closing the gap would bring Nissan huge financial gains.

Mr Tsuji, an engineer with extensive experience on the production side of the business, will focus his efforts on squeezing costs on the factory floor.

He said last Friday: "We intend to thoroughly reduce the number of components [used in a car] and also vigorously promote common use of parts among different models. We intend to focus even greater emphasis on design for manufacturability."

With prospects for significant gains in the domestic market not encouraging, Nissan is placing a lot of hopes overseas. Better performance mainly in Europe last year helped boost Nissan consolidated pre-tax profits by 18.4 per cent to Y85.7bn.

Its Primera model, made in the UK, was a hit in continental Europe. Sales in the UK should recover as the dealer network is re-established following the break with its distributor last year.

Last month, the company began production of its Altima saloon in Tennessee. Prospects for the car would be brighter if competition from established models in the same sector by other makers were not so stiff.

Mr Tsuji is taking the reins of a company that is in far better shape than it was for his predecessor. But between Nissan's huge debt, its low profitability, and weak prospects for growth, the next year or two will be a hard slog at best.

Germany eases CP issuance

By Andrew Fisher in Frankfurt

THE Bundesbank is liberalising further the German capital markets by making it easier for foreign companies to issue commercial paper.

From August 1, foreign companies will be able to make D-Mark commercial paper issues without having to set up a special German offshoot. Also, German branches of foreign banks will be able to lead manage issues in D-Marks.

The Bundesbank said its moves took account of the single European market and recent developments in international capital markets. The commercial paper market in Germany has grown rapidly since restrictions were removed last year.

But the central bank said it still held to its "anchor principle" under which the market for D-Mark issues is based in Germany. It intended to safeguard its minimum reserve requirements in the interests of monetary policy.

These requirements mean banks have to hold a proportion of their deposits at the Bundesbank, free of interest. Minimum reserves are obligatory for issues by banks, domestic and foreign, with a maturity of under two years.

Previously, the Bundesbank said, the two-year minimum maturity rule had not differentiated between banks and non-banks. Foreign companies will now be able to issue D-Mark bonds with shorter maturities.

The Bundesbank repeated its opposition to money market funds, which it believes would subvert its monetary policy.

Canadian fish companies to cut over 2,000 jobs

By Bernard Simon in Toronto

CANADA'S two biggest fish companies have imposed drastic cuts, including over 2,000 immediate layoffs, in the wake of a two-year shutdown of northern cod fishery off the coast of Newfoundland and Labrador.

Fishery Products International, based in St John's, Newfoundland, said the ban would cut its total groundfish catch by 35 per cent this year to 72,000 tonnes. This represents a drop in sales of about C$55m (US$45.8m).

The company is immediately laying off 1,340 people at four inshore processing plants.

National Sea Products, based in Halifax, Nova Scotia, is cutting its payroll by about 20 per cent to just under 3,000 people.

Nonetheless, Mr Henry Demone, National's president, supported the moratorium, saying it is "an economic catastrophe for Newfoundland, but it is in the best interest of the northern cod fishery."

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 05.07.92: Pool purchase price £/MWh	Final Prices for Trading on 07.06.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	21.76	19.42	21.41
0100	20.08	19.42	21.42
0130	20.08	19.42	21.42
0200	19.62	19.42	21.42
0230	19.62	19.42	21.42
0300	19.62	19.42	21.43
0330	19.53	19.42	21.43
0400	19.53	19.42	21.43
0430	19.53	19.42	21.43
0500	19.53	19.42	21.43
0530	17.64	17.47	17.47
0600	17.64	17.43	17.43
0630	17.64	17.43	17.43
0700	20.60	17.40	17.40
0730	20.60	17.49	17.49
0800	20.60	17.57	17.57
0830	22.80	20.09	22.10
0900	23.85	20.23	22.23
0930	24.45	20.23	22.23
1000	25.57	20.23	22.23
1030	25.57	23.69	25.80
1100	27.17	23.69	25.80
1130	28.48	26.51	28.71
1200	28.48	26.51	28.69
1230	28.48	26.51	28.67
1300	28.48	26.51	28.67
1330	28.48	26.51	28.71
1400	26.74	24.50	26.65
1430	25.57	20.76	22.78
1500	19.31	30.78	22.78
1530	18.50	20.09	22.09
1600	19.30	17.57	17.57
1630	19.30	20.76	22.79
1700	22.80	20.76	22.78
1730	22.80	20.76	22.78
1800	22.80	20.76	22.78
1830	22.80	20.76	22.78
1900	24.65	20.76	22.78
1930	25.57	20.76	22.78
2000	25.57	20.76	22.78
2030	24.65	30.76	22.78
2100	24.65	20.76	22.78
2730	25.57	27.03	29.26
2200	35.67	27.04	29.25
2230	35.67	27.04	29.22
2300	28.01	26.50	26.50
2330	28.00	26.00	26.00
2400	19.30	17.72	17.72

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 06.07.92: Pool purchase price £/MWh	Final Prices for Trading on 08.06.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.70	17.60	17.60
0100	17.70	17.57	17.57
0130	17.65	17.53	17.53
0200	17.65	17.53	17.53
0230	17.70	17.53	17.53
0300	17.70	17.49	17.49
0330	17.65	17.49	17.49
0400	17.64	17.49	17.49
0430	17.64	17.47	17.47
0500	17.64	17.43	17.43
0530	17.64	17.39	17.39
0600	17.64	17.35	17.35
0630	17.80	17.44	17.44
0700	22.30	17.72	17.72
0730	22.87	22.70	24.92
0800	25.18	24.14	26.38
0830	27.33	26.78	29.08
0900	28.00	27.99	30.31
0930	28.08	28.03	30.32
1000	28.09	28.03	30.31
1030	28.10	28.04	30.28
1100	28.06	28.04	30.24
1130	28.06	28.05	30.23
1200	28.08	28.05	30.24
1230	28.05	28.05	30.23
1300	28.03	28.04	30.24
1330	27.99	28.00	30.22
1400	27.99	27.99	30.23
1430	27.34	27.99	30.22
1500	27.33	27.99	30.23
1530	27.33	27.99	30.23
1600	28.01	25.54	27.71
1630	28.05	28.00	30.24
1700	28.05	28.00	30.22
1730	28.05	27.99	30.22
1800	28.00	27.99	30.24
1830	25.56	24.36	26.53
1900	24.74	24.36	26.51
1930	24.74	23.78	25.93
2000	24.74	23.44	25.62
2030	24.60	23.44	25.64
2100	24.60	25.11	27.36
2130	24.60	28.51	30.74
2200	28.00	30.95	33.09
2230	28.00	45.51	48.06
2300	28.00	27.98	27.98
2330	19.87	21.90	21.90
2400	19.30	17.90	17.80

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

KLEINWORT BENSON SELECT FUND, SICAV
Registered Office: 14, rue Aldringen, LUXEMBOURG
Commercial Register: Luxembourg Section B. no 28.138
NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of KLEINWORT BENSON SELECT FUND, SICAV will be held at its registered office at Luxembourg, 14, rue Aldringen, on 14th July, 1992 at 3.00 p.m. for the purpose of considering and voting upon the following matters:

1. To hear and accept:
   (a) the Management Report of the Directors;
   (b) the Report of the Auditor.
2. To approve the statement of net assets and the statement of operations for the year ended 31st March, 1992.
3. To ratify the decision to pay an interim dividend.
4. To discharge the Directors and the Auditor with respect to their performance of duties during the year ended 31st March, 1992.
5. To elect the Directors and the Auditor to serve until the next annual general meeting of shareholders.
6. Any other business.

The shareholders are advised that no quorum for the statutory general meeting is required and that decisions will be taken at the majority of the shares present or represented at the meeting.

In order to take part at the statutory meeting of July 14th, 1992, the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the company, 14, rue Aldringen, Luxembourg, or with the following bank:

Banque Générale du Luxembourg S.A.
14, rue Aldringen
Luxembourg

The Board of Directors

EQUIFUND – WRIGHT NATIONAL EQUITY FUNDS
société d'investissement à capital variable
Registered Office: Luxembourg, 14 rue Aldringen
Commercial Register: LUXEMBOURG Section B 32 557
NOTICE OF GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of EQUIFUND – WRIGHT NATIONAL EQUITY FUNDS will be held at its registered office in Luxembourg, 14, rue Aldringen, on July 14, 1992 at 3.00 p.m. for the purpose of considering and voting upon the following matters:

1. To hear and accept:
   (a) the Management Report of the Directors;
   (b) the Report of the Auditor.
2. To approve the statement of assets and liabilities and the statement of operations for the year ended March 31st, 1992.
3. To discharge the Directors and the Auditor with respect to their performance of duties during the year ended March 31st, 1992.
4. To elect the Directors to serve until the next annual general meeting of shareholders.
5. To elect Deloitte & Touche Luxembourg S.à.r.l. as auditor of the company to serve until the next annual general meeting of shareholders.
6. Miscellaneous.

The shareholders are advised that no quorum for the statutory general meeting is required and that decisions will be taken at the majority of the shares present or represented at the meeting.

In order to take part at the statutory meeting on July 14th, 1992, the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Fund, 14 rue Aldringen, Luxembourg or with the following bank: Banque Générale du Luxembourg S.A., 14, rue Aldringen, L-1118 Luxembourg.

The Board of Directors

COMPANY NOTICES

ENGELS-HOLLANDSE BELEGGINGS TRUST N.V.
(English and Dutch Investment Trust)
Established in Amsterdam

HEREBY GIVES NOTICE that it has received the following notification under the Listed Companies Disclosure Act:

Name	Percentage capital interest	of which indirect potential	Percentage voting rights	of which indirect potential
Hollandse Koopmansbank N.V., Keizersgracht 674, 1017 ET Amsterdam	33.07%		[illegible]	

Amsterdam, 30th June 1992

Where's the beef?

Foreign corporations expanding in Europe face truly difficult decisions.

If you want a choice slice of Europe, where will you start looking?

For one, are marketing activities your goal or do you plan to set up manufacturing operations? Then there is the question of acquisition versus building up your own organization from scratch.

And finally, you will be faced with the most difficult yet perhaps most important problem:

Where is the best place in Europe for you to locate?

The EC's Single Market is about to become reality, to be followed later by a single currency and a European central bank. Recently a treaty was signed with the EFTA countries establishing the European Economic Area (EEA) that will unite all of Western Europe – a unified market with 377 million consumers, accounting for 30 % of global GNP and a full 43 % of the world's international trade. Moreover the new democracies of Central and Eastern Europe are busily establishing free market economies and attracting private investment.

Europe is in a state of flux. It is clearly the right time to establish a market foothold – to stake out your claim to a choice slice of the market.

Many attractive official promotional programs have been set up to encourage foreign investment. There are also a number of local companies that might be attractive partners or potential acquisition targets. The problem is to objectively assess all the opportunities in order to determine the best fit for your company.

Enter Dresdner Bank, one of Germany's principal banks and a major European financial institution – an international bank truly "at home" throughout the Continent.

Our extensive network and teams of experienced local specialists can provide you with crucial support – everything from overcoming the language barrier to helping you pin down the ideal site for your new business operations.

For professional consulting support, you can rely on the services of our two management consulting subsidaries:

DMC Management Consult GmbH focuses on traditional corporate consulting services.

DOWC Ost-West Consult GmbH, which specializes in channeling private investment into Eastern European privatization projects, provides a wide range of services, including everything from feasibility studies to the formulation of takeover strategies.

Advice you can rely on from Dresdner Bank.

And through our specialized international bank in Luxembourg, Europa Bank AG, we can put together complex packages including various regional European subsidies and EC support programs, thereby satisfying the most demanding of financing requirements.

For a head start in Europe, we invite you to contact Dresdner Bank at any of our offices in more than 60 countries throughout the world.

Dresdner Bank

UK GILTS

Weak economy pulls in the buyers

MORE evidence of economic weakness in the UK pushed up demand for gilts, led by many large institutions anxious to build up their bond portfolios at the expense of equities.

Speculation about a possible cut in base rates over the next few weeks helped to force down yields for most classes of gilts.

The general demand for gilts – following the underlying pattern in the gilt market for much of this year – caused a rise of nearly 2 points at the long end of the market. Yields slipped by about 20 basis points.

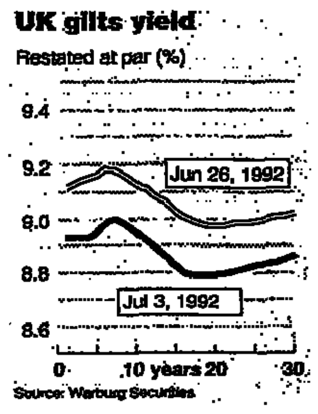
Evidence of the fragility of the UK economy came with news that the savings ratio – personal savings as a percentage of disposable income – hit 11.5 per cent in the first quarter. This was up by 1.5 points on the fourth quarter of last year, to the highest level for nearly a decade.

With the Treasury almost daily receiving more reports of economic weakness, many commentators are reducing their forecasts for growth this year in the UK to around zero, after a drop in gross domestic product last year of 2.4 per cent.

While such gloomy scenarios lead to poor prospects for equities, the low inflationary pressures likely over the next year make gilts a tempting investment for many institutions. That was underlined by Bank of England figures last week indicating that such bodies bought £5.9bn worth of gilts in April and May.

Further signs, meanwhile, of weak upward pressure on prices throughout the economy are likely on Friday when the Central Statistical Office is expected to announce that the retail prices index increased by just 4.1 per cent in the year to June, after 4.3 per cent in May.

After the cut in US interest rates last week by the Federal Reserve, with a view to stimulating the lacklustre US economy, technical operations on the money market by the Bank of England fuelled expectations of an early cut in UK base rates, now 10 per cent.



Source: Warburg Securities

But while such a move would go down well with the US – which at this week's Munich economic summit of the seven richest nations is expected to push for concerted measures to boost world growth – the pound's weakness in the exchange rate mechanism probably rules out a base rate cut for the time being.

All the signs are that Mr Norman Lamont, the chancellor, will continue for some time with his policy of not risking a possible slide in sterling by a rate cut. That seems at a point when UK short-term rates are only 25 basis points above the equivalent German rates.

While the gilt market would be quite happy to see a cut in rates of perhaps a quarter of a percentage point – a move which would boost prices at the short end – it is equally at home with the prospect of Mr Lamont's policy of high interest rates squeezing out the last drop of inflationary pressure from the economy for some months to come.

● The Bank announced it will make available from today £700m of new gilt issues: £200m of 10 per cent conversion stock due 1996; £200m of 9½ Treasury loan stock maturing 1999; £200m of 9 per cent Treasury loan due 2008; and £100m of 2½ per cent index-linked Treasury stock, expiring in 2013.

Peter Marsh

US MONEY AND CREDIT

Fast reactions from worried politicians

CRAZY things are supposed to happen in election years. Certainly the near-instantaneous cut in the US discount rate which accompanied appalling unemployment figures released last Thursday, smacked of some very worried politicians.

For the bond market, however, this meant that July 4 fireworks arrived a few days early. A very sharp rally in bond prices began at 8.30am, as soon as the Labor Department figures hit the screens. By the end of the day, the benchmark longbond had gained almost 1½ points, while its yield had slumped from 7.74 per cent to 7.63 per cent. This was the lowest closing yield for the issue since late January.

In other parts of the bond market, reaction was even more marked. At the short end, for example, the rate on three-month Treasury bills slumped to 3.24 per cent, said to be the lowest since the early 1970s.

The point is that no one now expects Thursday's cut to be the last. The unemployment data were truly awful – showing that employers cut payrolls by 117,000 last month, pushing the unemployment rate up to 7.8 per cent in May, from 7.5 per cent in April. Most pundits had been looking for an improvement in the jobs situation last month; instead, the unemployment rate stands at an eight-year high.

Worse, this news came on the heels of some other disappointing data, underlining the widespread weakness in the economy. The June index from the National Association of Purchasing Managers, for instance, suggested that although the manufacturing sector grew last month, the rate of increase was lower than in May.

And, at the beginning of the week, housing statistics showed that new home sales fell for the fourth month in a row, putting May's levels about 20 per cent below their January peak.

But at least part of the jobs problem is structural, suggesting that "a quick fix" will be tough to achieve. A number of leading industries – from banking to airlines – are undergoing very significant consolidations at present, shedding jobs and reducing capacity en route.

Cheap money is unlikely to alter this process. Equally, sizeable cutbacks in defence spending continue to hurt; only last week, Hughes Aircraft Corporation announced that it would axe around 15 per cent of its workforce over the next 18 months – in excess of 9,000 jobs.

So it is highly questionable whether Thursday's cut of 50 basis points in the discount rate, to 3 per cent, will be enough. Most pundits suggest that the speed of Thursday's response indicates that the Federal Reserve has now abandoned its neutral stance towards interest rate policy, even if officials are still divided.

"The Fed's kneejerk reaction to reduce the discount rate . . . says a great deal more about the Fed than the state of the US economy," comment analysts at Nomura. "To respond so quickly . . . indicates a state of near-panic among the Fed governors. It measures the extent of their desire to achieve economic growth at the expense of other economic objectives."

Mr Robert Brusca, at Nikko Securities, puts the point more bluntly still. "Mr Greenspan [Federal Reserve chairman] is in very hot water. The Federal Reserve he has presided over may have botched recovery on two separate occasions, and now he must testify before the house and senate banking committees beginning on July 21. This does not give him much time to act."

Like virtually every pundit on Wall Street, Mr Brusca suggests that further easing will follow – the only question being when. It is after all, an election year.

Nikki Tait

ITALIAN BONDS

Signs of fatigue as sentiment sours

SENTIMENT in the Italian government bond market has turned sour in the past month, with dealers warning of market fatigue.

International investors have shunned the Italian market due to the political vacuum left by April's general election and the more recent rejection by Denmark of the Maastricht treaty which cast doubts on Italy's commitment to meet the European Community's convergence requirements for Economic and Monetary Union.

The news sent bond prices plummeting: Italy was the worst performing of 21 leading bond markets, with a fall of 1.26 per cent in June. Although a new prime minister has been nominated, the bond market has remained extremely volatile as investors have been forced to re-examine Italy's long-term economic prospects.

The new government of Mr Giuliano Amato, a former Treasury minister, may represent a serious attempt to get to grips with the country's immense structural economic problems.

The market has lost patience with a political process which has been painfully slow. Should a tough economic package not be announced very soon, last week's selling could just be the prelude to a more severe crisis in the market.

The problems have been exacerbated by a devaluation scare, with the Bank of Italy being forced to intervene on several occasions to support the lira. Yesterday the Bank of Italy said it would raise the official discount rate from 12 per cent to 13 per cent with effect from Monday in order to defend the currency.

Few dealers seriously believe the devaluation rumours which swept the market in June, triggering heavy speculative pressure on the currency. Most recognise that altering the exchange rate would only damage the fight against inflation, which both Mr Amato and the Bank of Italy insist is their main priority.

Mastering inflation, which fell to 5.5 per cent last month from 5.7 per cent in May, is the single most important factor in overcoming the immense debt burden. With by far the bulk of the deficit composed of interest payments, the emphasis on lower inflation, which would trigger lower interest rates, is understandable.

At last week's auctions, the cover ratio (the total amount of bids relative to the amount of bonds on offer) was far lower than a few months ago, with foreign investors shunning the market.

The auctions point to troubles ahead when the government issues much larger quantities of debt. The market is waiting to see what the government can offer to persuade it to meet its needs.

Haig Simonian

SYNDICATED LOANS

Borrowers search elsewhere for funds

ACTIVITY in the international syndicated loans market plummeted in the first half of 1992 as borrowers scaled back their bank financing and turned to the international bond and equity markets instead for funding.

Syndicated lending amounted to $163.9bn in the first six months, which is 32 per cent lower than the $241.6bn in the first half of 1991, and 44 per cent below the $291.6bn in the second half of 1991, according to figures supplied by Euromoney Publications. "This is the quietest half-year I've ever seen," said one loans adviser at a European bank.

Syndicated lending in the US and Canada amounted to $86.9bn in the first half, against $124.2bn and $165.6bn in the first and second halves of 1991 respectively.

Lending to western European borrowers also showed a marked decline to $30.9bn compared with $49.2bn and $60.3bn in the first and second halves of last year.

Bankers blame the recession in the Anglo-Saxon economies for the drop in borrowing by US and European companies, as the slowdown in economic growth has depressed takeover activity and reduced investment in capital equipment.

The increase in the level of pricing over the past three years has also deterred many companies from arranging large facilities simply for the sake of it. In the mid to late-1980s many companies set up Multi-Option Facilities (Mofs), attracted by their cheapness – in some cases the facilities only cost around 6 to 10 basis points over the London inter-bank offered rate (Libor). As these facilities approach maturity, companies seem reluctant to refinance them at today's high level of pricing.

While demand from borrowers for syndicated loans has clearly fallen, the banks themselves have come under pressure to lend more prudently and place more emphasis on credit analysis.

Mr Hans Meissner, executive director at Credit Suisse First Boston, says: "Lenders have been bruised by loans which have gone wrong – just look at Maxwell, Canary Wharf, and Heron International."

While most bankers agree that 1992 has been an abysmal year so far in terms of lending volumes, a few have suggested that the decline in volume may not be quite as severe as indicated by the official figures.

Some corporate borrowing is deliberately hidden from the public gaze in the form of private club deals and bilateral loans, often because the borrower does not want to be seen paying generously for its credit or risk the public humiliation of an unsuccessful deal.

Sara Webb

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on July 3

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

US companies dominate new issues league table

THE amounts raised in the international bond and equity markets reached record levels in the first six months of 1992.

Eurobond market new issue volume jumped to \$148bn from \$120bn, according to IFR Securities Data, due to strong growth in a number of European currency sectors. In the international equities market, companies raised \$12.9bn through initial public offerings (IPOs), primary and secondary issues, compared with \$8.98bn in the first half of 1991 and \$7.4bn in the second half of last year, according to IFR.

US companies dominate the equity league tables, raising \$5.08bn with 113 separate tranches of stock in the first six months. Nearly half of this was raised by one company – General Motors – which drew \$2.14bn from investors in May.

Western European companies raised \$2.19bn in international offerings while Latin American companies issued \$4.2bn of equity, with Mexican companies accounting for \$2.76bn. However, the recent weakness of the world's stock markets has prompted the cancellation or postponement of a number of offerings. GPA, the aircraft leasing group, cancelled its \$800m flotation as investors' concerns about the company meant there was insufficient demand for the issue.

Last week, Dr Pepper/Seven-Up, the third-largest soft drink manufacturer in the US, pulled out of its plan to go public in a \$600m stock issue due to unfavourable market conditions, while Banacci, the Mexican financial services group, has postponed indefinitely its \$1.4bn global stock offering.

Investment bankers warn that volume may dip in the second half of the year, unless stock market performance improves. In the international bond markets, the calendar for new issue activity remains heavy. Although investor appetite for paper is rather subdued, many borrowers are still some way from meeting their funding needs.

Mr Len Harwood, head of capital markets at UBS Phillips & Drew, says: "Borrowers will need to be as flexible as possible to achieve not only price but volume objectives." The French and German markets, which have already grown substantially this year, are likely to expand further. In part, this expansion will be fuelled by the need to take up the slack in the Ecu bond market, which has stalled in the aftermath of the Danish referendum on Maastricht, and is likely to remain rather subdued, at least until the French referendum in September.

EUROBOND ISSUES BY CURRENCY

	First half 1992			First half 1991		
Rank	Currency	Total raised (\$bn)	No. of issues	Rank	Total raised (\$bn)	No. of issues
1	US\$	45.95	222	1	42.66	193
2	Ecu	19.90	76	2	21.36	47
3	Yen	17.29	85	4	13.39	92
4	D-Mark	14.77	77	6	8.97	80
5	Sterling	12.55	57	3	16.08	79
6	FFr	12.17	57	7	5.54	37
7	C\$	11.21	59	5	11.46	64
8	Lira	7.23	33	8	5.09	31
9	Guilder	3.03	23	10	1.10	8
10	A\$	2.52	33	9	2.19	33

Source. IFR BONDBASE

In the first half of the year, volume in the D-Mark sector increased from \$9bn to \$14.8bn, which helped put Germany's largest bank, Deutsche Bank, at the top of the bookrunners' league table. The sector is set to grow further following the Bundesbank's further liberalisation of rules governing issuance.

Issuance in the French franc sector rose from \$5.5bn last year to \$12bn, as the market's improving liquidity, boosted by the use of fungible issues, continued to attract growing international interest.

The growth in the Lira sector – \$7.2bn of new issues so far this year, compared with \$5bn over the same period in 1991 – may be harder to sustain, as the Italian bond market has suffered a severe setback in the wake of the Danish vote.

The dollar sector remained by far the largest, at \$46bn, up from \$42bn in the first half of 1991, despite the continued shrinkage of Japanese equity-linked offerings, which once made up the bulk of the market. In the first half of last year, Japanese corporations relied on bonds with equity warrants attached for about 50 per cent of their financings. This year only 18 per cent of their financings have had equity warrants.

The continuing need for Japanese companies to refinance equity-linked bonds issued in the 1980s will help boost new issue activity. Japanese companies had assumed that the exercise of the warrants would finance the redemption of bonds. But many warrants are set to expire without being exercised, because of the weakness of the stock market.

A number of other large offerings is expected in the next month or so. The World Bank is preparing a global offering of \$1.5bn five or 10-year bonds due to be launched early this week; a yen global offering is also believed to be in the pipeline, and Ontario Hydro is preparing another global bond offering.

Despite the heavy volume, business has been less profitable than in 1991 when the bullish tone in bond markets boosted trading profits. This year market swings have left banks and securities firms holding loss-making positions.

Tracy Corrigan and Sara Webb

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Rep. of Finland(a)‡†	1bn	1997	5	(a)	100	Nomura Intl.	-
Swedish Nat.Housing Fin‡.	500	1997	5	7	99.947	Nomura Intl.	7.013
Redland US Funding†	250	1997	5	7.25	101.09	Goldman Sachs Intl.	6.984
City of Kobe†	210	2002	10	7.5	99.40	Bk of Tokyo	7.588
Kyon(b)‡†	120	1997	5	(b)	100	DKB Intl.	-
Kyon(c)‡†	40	1997	5	(c)	100	DKB Intl.	-
IBM Intl.Finance(j)†	300	1995	3	5.625	101.1225	CSFB	5.211
BankAmerica(k)‡†	300	1997	4.5	(k)	99.80	Kidder Peabody	-
FEMSA(l)†	300	1997	5	9.5	99.921	Bear Stearns Intl.	9.521
Asfinag(m)‡†	100	1997	5	(m)	100	Creditanstalt Bank.	-
STERLING							
Bradford & Bingley BS(d)†	50	(d)	-	11.625	100.129	Hoare Govett Corp.Fin.	-
OKB†	125	2002	10	9.25	98.20	SG Warburg	9.537
Euro.Coal & Steel Comm(n)†	30	2017	14.75	9.875	103.59	BZW	9.487
ECUs							
European Inv.Bk.(o)†	200	2002	10	9	99.77	Paribas Cap.Mkts.	9.036
CANADIAN DOLLARS							
SQAE(e)†	150	2002	10	9	100.225	Wood Gundy	8.965
Banque Nat.de Paris(q)†	50	2002	10	8.75	101.24	Hambros Bk.	8.561
D-MARKS							
Volkswagen Com. SA(r)†	400	1997	5	8.625	100.05	Commerzbank	8.612
FRENCH FRANCS							
France Telecom†	2bn	2001	9	9	99.34	Credit Lyonnais	9.111
Toyota Motor Credit(h)†	500	1995	2.75	9.25	101.075	Paribas Cap. Mkts	8.756
Credit National(s)†	300	2000	8	8.8	99.80	J P Morgan	8.836
YEN							
Tokyo Tatemono†	10bn	1998	6.25	6.1	101.625	Daiwa Europe	5.777
Tokyo Tatemono†	10bn	1999	7.25	6.15	101.625	Yamaichi Intl (Eur)	5.863
Orix Ireland Fin.(v)‡†	10bn	1996	4.5	5.3	101.425	Daiwa Europe	4.915
PESETAS							
City of Madrid(f)‡†	10bn	1999	7	(f)	100	JP Morgan	-
Endesa(i)†	3bn	1995	3	zero	100	Citibank Espana	-
SWISS FRANCS							
Haute-Savoie†	140	2002	-	7.5	100.5	SBC	7.427
France Telecom(p)†	150	2002	-	7.25	101.875	Credit Suisse	6.983
ABN Amro★★†	50	1993	-	9	100.80	Swiss Volksbk.	8.206
Nippon Meat Packers(t)♦★★	200	1996	-	3.875	100	Credit Suisse	3.875
DSL(u)†	75	2002	-	7.25	101.50	Gotthard Bk	7.036
Deutsche Bk.Fin.Cur.★★†	150	1997	-	7.375	101.875	Deutsche Bk (Suisse)	6.919
LUXEMBOURG FRANCS							
AB Electrolux(g)★★†	850	1995	3	9.5	101.90	BCEE	8.766
Belgelectric Finance†	1bn	2002	10	8.875	102	BIL	8.569
City of Tampere†	500	1997	5	9.375	102.05	BIL	8.850
BNP (Luxembourg)†	1bn	2000	8	9	102.05	Cregem Intl.	8.635
Paribas (Deutschland)†	500	1996	4.5	9.25	101.875	Banque Paribas Lux.	8.694

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ♠Variable rate note. †Final terms. a) Coupon pays 6-month Libor flat and payable semi-annually. Non-callable. b) Senior tranche of \$160m deal. Coupon pays 100bp over 6-month Libor and payable semi-annually. Non-callable. c) Junior tranche of \$160m deal. Coupon pays 200bp over 6-month Libor and payable semi-annually. Non-callable. d) An issue of Permanent Interest Bearing Shares (PIBS). Fees undisclosed. Non-callable. e) Full name of borrower Societe Quebecoise d'Assainissement des Eaux. Non-callable. f) Coupon pays 40bp over Mibor and payable semi-annually. Non-callable. g) Amount increased from LFr800m. Non-callable. h) Fungible 40 days after payment with existing FFr1.5bn issue. Fees undisclosed. Non-callable. i) Matador issue. Reimbursement linked to IBEX-35 index of Spanish stocks. Non-callable. j) Issuer has support agreement with IBM Credit Corp. Non-callable. k) Fungible with outstanding \$200m issue launched Feb 1992. Coupon pays 0.375% above 3-month Libor. Non-callable. l) Full name of borrower: Formento Economico Mexicano SA. Coupon payable semi-annually. Non-callable. m) Interest uncapped in year 1 then 6.5% in year 2, 7% in year 3, 7.5% in year 4 and 8% in year 5. Coupon pays 0.125% over 6-month Libor and payable semi-annually. Non-callable. n) Fungible with outstanding £50m issue due 26.5.2017. Fees undisclosed. Non-callable. o) Fungible with Ecu350m deal launched 22.6.92. Fees undisclosed. Non-callable. p) Callable in 1999 at 101.25% declining 0.50% annually thereafter. q) Fungible with outstanding C\$125m issue launched 17.6.92. Non-callable. r) Fees undisclosed. Non-callable. s) From 1993 to 1999 investors have the option of taking payments in cash or new bonds. Non-callable. t) Callable on 23.7.94 at 101.00% and on 23.7.95 at 100.50%. u) Full name of borrower: Deutsche Siedlungs und Landesrentenbank. Non-callable. v) Coupon pays 5.3% until 1994 then 25bp over 3-month Libor. Non-callable. Note: Yields calculated on ISMA basis.

Anthony Harris

Crawling back to the future

If we are now watching a replay of the 1930s, as fashionable pessimism has it – and I find it strangely uncomfortable to be in tune with the fashion – it is a replay in slow *motion. The great bull market is* over, but it is a sag rather than a collapse; unemployment is rising, but it is only a third of the way up to its peaks 60 years ago; the financial markets are shrinking, but there are no falling bodies.

The question now is whether a dispirited system will retrace the paths first hacked out by the survivors of complete demoralisation. These led to protectionism to preserve jobs; to officially encouraged cartelisation; and to tight financial regulation, eagerly embraced by an industry desperate to re-establish its respectability.

The idea that such unfashionable ideas should become official policy may still seem unthinkable, but the preconditions do not look so implausible. They are first, that job protection should become the dominant political issue – as it already is for French lorry-drivers and farmers, and for the new populists in Germany and Italy.

Second, the pains of competition must seem greater than its rewards, a view already reflected in stock market valuations. The politicians are still involved in the agenda of the 1980s, seeking freer markets and lower inflation, but the voters are making it ever harder to persist.

For the financial markets, the issue is simpler. Once they are seen to be unable to raise primary capital, as they were in New York after the 1929 crash, reform becomes a necessity. This is already the case in Tokyo, where the scandals which have frightened outsiders away are still multiplying.

It seems, more puzzlingly, to be happening in London, though on the face of it more from distrust of present price levels than of the institutions which set the prices. Across the Channel, and in New York, where the bulls looked convincing until last week, the picture is not yet nearly so bad.

All the same it is difficult for a Londoner to believe that the drift – call it the long cycle, if that is the way your mind works – is indeed back towards the past. The economic situation argues for it: it is hard to imagine a plausible recovery strong enough to banish disillusion. The state of the City points the same way.

The parade of scandals might be dismissed as the ugly *jetsam* which is left behind by every falling financial tide, were it not for the damage they have done and continue to do to the prestige of the whole system, and to any surviving faith in self-regulation.

To start at the top, the Bank of England's dithering over BCCI, the DTI's attempted evasions over Barlow Clowes, and now the PM's censoring of the Bingham report look like wise-monkey strategy, not so much a cover-up as a belief in least said, soonest mended. It leaves the authorities looking weak and evasive.

The clearing banks look not so much weak as weak-minded after their eager pursuit of bad loans. City "experts" can plead that their fatuous optimism about the outlook for the economy and for profits was officially inspired, but not for errors like Polly Peck. It is a vista of incompetence, or worse.

There is incompetence and worse in the insurance market. The troubles of Lloyd's make good popular reading, like a Royal marriage; but the society's *sauve-qui-peut* response to the crisis looks like old yuppy greed gone stale.

And now, as new premium demands drop through ordinary letterboxes, people will realise that you do not have to be a name to suffer from bad underwriting judgment. The picture presented outside is not of criminality, as in Tokyo, but of over-paid, under-regulated and gutless foolishness, which may be even more damaging in the long run.

And we are only at the beginning. The press has turned investigative instead of fawning. When the true cost of life, household and car insurance is more widely known, and if savings and pensions are eroded by slow-footed investment management, the last defences will be down.

Whatever happens to the economy, the City is likely to need a self-defensive clean-up.

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · JAPAN · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · AUSTRALIA · HONG KONG · MALAYSIA · SINGAPORE

CANADA

TORONTO

4:00 pm prices July 3

MONTREAL

4:00 pm prices July 3

Total Sales 7,222,800 shares

INDICES

NEW YORK

DOW JONES	Jul 2	Jul 1	Jun 30	Jun 29	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
◊Industrials	3330.29	3354.10	3318.52	3319.86	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	100.36	99.93	100.01	100.08	100.36 (2/7)	98.41 (20/3)	100.36 (2/7/92)	54.99 (1/10/81)
Transport	1324.74	1341.37	1315.77	1316.52	1467.68 (20/2)	1277.65 (26/6)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.57	212.44	211.13	210.38	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

◊Day's High 3385.39 (3366.40) Low 3303.27 (3305.41)

STANDARD AND POOR'S	Jul 2	Jul 1	Jun 30	Jun 29	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	411.77	412.88	408.14	408.94	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	483.64	485.99	480.31	481.72	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	36.47	36.15	35.70	35.58	36.47 (2/7)	32.40 (8/4)	36.47 (2/7/92)	8.64 (1/10/74)
NYSE Composite	226.41	226.75	224.33	224.44	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	382.55	383.01	379.28	377.10	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	563.35	568.99	563.60	558.80	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Jun 26	Jun 19	Jun 12	year ago (approx.)
Dow Industrial Div. Yield	3.14	3.14	3.03	3.16
	Jul 1	Jun 24	Jun 17	year ago (approx.)
S & P Industrial div. yield	2.66	2.72	2.72	2.96
S & P Indl. P/E ratio	28.74	28.14	28.03	16.95

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Glaxo	5,514,100	24	- 1¼
Ph Morris	3,957,400	77¼	+ 1¼
Gen Motors	3,283,000	41⅛	- 1¾
Adv Micro	2,835,300	7⅝	- 1⅛
Telefonos	2,334,400	46⅞	+ ¼
US Surgical	2,092,900	103	+ 4¼
Coca Cola	2,037,500	41⅞	+ ⅝
Ford	2,012,500	43⅛	- 2⅛
Fannie Mae	1,952,500	64⅞	+ 2
Chrysler	1,813,400	19¾	- 1¼

TRADING ACTIVITY

† Volume (Millions)	Jul 2	Jul 1	Jun 30
New York SE	220.130	214.240	195.520
Amex	9.704	10.431	13.280
NASDAQ	(u)	186.083	195.188
NYSE			
Issues Traded	2,281	2,261	2,296
Rises	936	1,208	996
Falls	832	534	731
Unchanged	513	519	569
New Highs	107	78	63
New Lows	33	26	37

CANADA

TORONTO	Jul 3	Jul 2	Jul 1	Jun 30	1992 HIGH	1992 LOW
Metals & Minerals	3201.74	3188.60	(c)	3167.82	3238.87 (16/1)	2828.26 (8/4)
Composite	3420.10	3408.10	(c)	3387.70	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1806.18	1796.88	(c)	1785.83	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jul 3	Jul 2	Jul 1	Jun 30	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1663.2	1661.7	1647.7	1644.7	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	726.8	725.0	718.6	714.7	726.80 (3/7)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	383.30	385.14	387.45	390.77	458.57 (24/2)	372.24 (2/1)
Traded Index (2/1/91)	933.22	932.66	935.11	942.13	1099.43 (24/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1174.80	1170.31	1162.84	1162.75	1235.40 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	319.50	317.61	320.26	321.35	365.29 (15/1)	316.58 (23/6)
FINLAND						
HEX General (28/12/90)	750.7	754.0	751.8	763.0	935.90 (24/2)	750.70 (3/7)
FRANCE						
CAC General (31/12/82)	509.25	509.80	498.71	517.94	555.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	1883.64	1873.52	1880.92	1900.63	2077.49 (11/5)	1749.93 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	698.92	699.74	695.33	693.61	725.26 (26/5)	643.26 (8/1)
Commerzbank (1/12/53)	1977.70	1980.90	1967.20	1960.90	2043.80 (25/5)	1813.80 (8/1)
DAX (30/12/87)	1776.98	1768.61	1756.26	1752.63	1811.57 (25/5)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	6061.85	6073.74	6134.75	6103.92	6134.75 (1/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1289.15	1292.85	1304.64	1310.84	1469.57 (17/1)	1289.15 (3/7)
ITALY						
Banca Com. Ital. (1972)	444.16	444.51	450.75	454.16	551.59 (6/2)	444.16 (3/7)
MIB General (2/1/92)	873.0	873.8	886.0	893.0	1086.00 (5/2)	873.00 (2/7)
JAPAN						
Nikkei (16/5/49)	16717.78	16757.63	16325.07	15951.73	23801.18 (6/1)	15743.27 (29/6)
Tokyo SE (Topix) (4/1/68)	1293.55	1291.69	1258.98	1236.20	1763.43 (6/1)	1196.19 (9/4)
2nd Section (4/1/68)	1917.03	1893.72	1871.14	1868.82	2459.85 (6/1)	1868.82 (30/6)
MALAYSIA						
KLSE Composite (4/4/86)	596.08	(c)	596.47	592.33	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	301.5	300.0	299.6	301.8	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	206.0	205.0	204.8	205.7	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	678.98	679.38	682.91	693.86	772.74 (18/5)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1477.16	1513.57	1524.09	(c)	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	401.00	403.36	402.40	400.38	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1099.0§	1111.0	1092.0	1097.0	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4500.0§	4506.0	4518.0	4520.0	4689.00 (4/6)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	547.20	548.28	551.98	552.03	691.48 (8/2)	547.20 (3/7)
SPAIN						
Madrid SE (30/12/85)	239.44	236.05	235.45	238.31	266.51 (28/2)	235.45 (1/7)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	914.60	917.40	906.90	913.0	1014.50 (11/5)	906.90 (1/7)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	875.9	872.8	869.9	872.8	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	657.8	653.4	650.4	652.5	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4465.98	4454.08	(c)	4523.81	5391.63 (30/1)	4268.17 (11/5)
THAILAND						
Bangok SET (30/4/75)	738.86	746.94	(c)	751.45	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	503.6*	504.4	500.7	495.4	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	910.82	904.88	908.22	909.71	976.55 (25/5)	870.31 (2/1)

**Saturday June 27: Taiwan Weighted Price: 4496.44, Korea Comp Ex. 551.88.
§ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday 3 July 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Taiyo Fishery	16.6m	491	+30	Kenwood	5.1m	846	+8
Toyama Chem	10.5m	765	+45	Meiji Milk	5.1m	953	-10
Nippon Formula	9.8m	740	-32	Toshiba	4.4m	658	-4
Hitachi	7.1m	863	-6	Sumitomo Chem	4.3m	455	+12
NHK Spring	6.0m	540	+26	Koa Denko	3.9m	676	-32

هكذا من الأصل

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AUTHORISED UNIT TRUSTS

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783						
AIB Grofund American	5	109.0	110.1	115.9	0.00	40592
AIB Grofund Equity	5	172.7	175.3	185.5	2.57	40593
AIB Grofund Euro	5	131.4	133.2	140.2	1.13	40594
AIB Grofund Gilt	3	74.01	74.01	76.29	6.97	40595
AIB Grofund Japan	5	101.2	102.4	107.8	0.00	40596
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
Gilts & Fixed Int.	6	120.1	120.1xd	127.3	8.13	40001
High Inc Equity	6	123.0	125.9xd	133.9	6.35	40002
Worldwide Bond	6	213.2	213.2	226.0	6.30	40003
Capital Growth						
American Growth	6	189.0	189.0	202.1	1.00	40004
Asian Pacific	6	142.6	145.5	154.7	1.23	40005
Assets & Earnings	6	181.7	185.9	197.7	3.21	40006
Capital Reserve Acc	0	116.4	116.4	116.4	7.72	40007
Capital Reserve Inc	0	86.06	86.06	86.06	7.72	47580
Comdty & Energy	6	62.20	62.20	66.52	1.23	40008
1992 Enterprise	6	68.90	68.90	73.68	2.80	46597
Euro Capital Acc	6	89.83	89.83	96.07	1.08	40009
Euro Capital Inc	6	85.13	85.13	91.04	1.10	47581
General	6	167.6	167.6	179.2	3.24	40010
Japan	6	71.99	71.99	76.95	—	40011
Mastertrust	6	86.47	86.47	92.48	2.64	40012
UK Growth Acc	6	164.7	172.4	183.3	3.06	40013
UK Growth Dist	6	104.0	108.8	115.7	3.06	40014
US Emerging Cos	6	65.18	65.18	69.71	—	40015
Income & Growth	6	290.6	290.6	310.8	4.50	40016
Ethical	6	52.91	54.23xd	57.69	3.45	40017
International	6	58.37	59.26	63.04	1.40	46852
Dividend & Growth	6	46.35	47.37xd	50.39	5.95	47871
Global Gwth & Sec	6	54.53	54.84	58.33	2.42	44846
Aberforth Unit Trust Managers Ltd (1600)F						
16 Chester St, Edinburgh EH3 7RA 031 220 0733						
UK Small Cos	0	1137.0	1137.0	1197.0	—	46054
Abtrust Unit Trust Managers Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	29.32	29.32	31.01	2.72	40019
Cash	0	50.33	50.33xd	50.33	9.64	45696
European	5¼	69.31	69.31	73.51	0.00	40025
European Income	5¼	68.53	68.53xd	72.70	1.85	41377
Exempt	1	784.6	784.6xd	811.8	3.77	41379
Extra Income	5¼	36.24	36.24xd	38.43	6.26	40021

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Far East (Pacific)	5¼	92.91	92.91xd	98.63	0.88	41357
Income & Growth	5¼	60.21	61.07	64.82	4.32	41358
European (z)	5¼	56.06	56.06	59.51	1.09	41359
Nth American (z)	5¼	38.61	38.61xd	40.98	0.78	41360
Intl Growth(9-1)	5¼	68.36	69.51	73.78	0.65	41361
UK Growth	5¼	61.32	62.24	66.07	1.70	41362
Intl Income	5¼	51.68	52.27xd	55.48	4.51	46966
High Yield	5¼	42.96	43.45	46.12	5.52	46965
Charities	5¼	90.51	91.86	97.51	5.37	46963
Japan	5¼	30.10	30.10	31.95	0.18	47589
Emerging Markets ♣	6	56.30	57.53	61.52	0.76	44599

For Matheson see Cannon UT

For Mayflower Mngmt see Sheppards UT Mngmt

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Mercury Fund Managers Ltd (1000)H						
33 King William St, EC4R 9AS 071-280 2860						
American	5	124.7	124.7xd	132.4	0.00	40918
(Accum Units)	5	133.3	133.3xd	141.5	0.00	40919
American Opps	5	50.31	50.31	53.67	0.00	40922
(Accum Units)	5	51.00	51.00	54.30	0.00	40923
British Blue Chip	5	61.70	61.72	65.84	4.05	40924
(Accum Units)	5	70.57	70.61	75.32	4.05	40925
Cash *	0	101.6	101.6	101.6	9.91	46084
(Accum Units) *	0	123.0	123.0	123.0	9.91	46003
European Growth	5	159.2	159.2	168.6	0.54	40926
(Accum Units)	5	169.0	169.0	179.0	0.54	40927
European Income	5	61.14	61.14xd	64.74	3.63	40928
(Accum Units)	5	76.37	76.37xd	80.87	3.63	40929
General	5	384.2	385.8	411.6	2.95	40932
(Accum Units)	5	713.9	717.0	764.9	2.95	40933
Global Bond	5	105.3	105.3	110.6	6.68	41118
(Accum Units)	5	112.2	112.2	117.9	6.68	41119

For National & Provincial UT Mngrs see N&P UT Mngmt

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Newton Fund Mngrs Ltd (1200)F						
2 London Bridge, SE1 071-407 4404						
Newton Income	6	159.03	162.72xd	173.11	5.06	41593
Newton Global	6	198.13	198.13	210.78	1.40	41594
Newton General	6	126.58	130.19	138.50	3.06	41650
Newton Intl Bd	6	97.31	98.74	105.05	7.47	40212
Norwich Union Tst Managers (1200)H						
PO Box 124, 51/59 Rose Lane, Norwich 0603 682234						
Master Trust	6	86.52	86.52	92.04	3.78	46932
UK Equity†	6	107.36	108.96	115.92	4.25	41111
UK Equity Income	6	102.87	104.72xd	111.42	5.82	46935
UK Smaller Co's	6	93.07	96.44xd	102.60	2.88	46936
UK Equity Growth	6	101.63	103.23	109.82	4.63	46934
UK Index Tracking F	6	105.36	106.01	112.78	4.69	47662
Intl Index Tracking F	6	90.80	91.59	97.44	1.52	40364
International	6	148.49	150.11	159.69	2.12	41112
European	6	121.17	122.17	129.97	1.27	41114
Pan European	6	92.27	93.37xd	99.33	3.01	43997
Nth American	6	112.58	113.71	120.97	2.37	41115
Nth Amer Smllr Cos	6	96.77	98.75xd	105.05	0.00	47663
Japanese	6	53.11	53.88xd	57.32	0.00	47006
Pacific	6	122.81	124.64xd	132.60	1.18	41113
South East Asian	6	124.84	126.85	134.95	1.03	46933
International Bond	6	102.62	102.70	109.26	6.52	46931
Gilt & Convertible	6	99.08	99.28xd	105.62	8.18	46930
Property F	6	68.54	70.53xd	75.03	6.82	44760
Cash Deposit Accum F	0	101.53	101.53	101.53	9.56	40555

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING. The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line

Stewart Ivory Unit Tst Mgrs Ltd (1200)H

031-226 3271

[illegible]

Storebrand Intl Inv Mngrs Ltd (1200)F

Admin 5 Rayleigh Rd, Hutton Brentwood Essex

Enquiries 0277 227300 Dealing 0277 261010

Sun Alliance Unit Tst Mngmt Ltd (1200)F

St Mark's Court Horsham 0403 232323

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Equity	6	603 7	611 2	653 7	3 13	41423
North America	6	75 87	75 87	81 14	0 55	41424
Far East	6	84 33	84 33	90 19	0 47	41425
Worldwide Bond	6	46 95	46 95	49 95	6 16	41426
European	6	67 02	67 02	71 68	1 57	41429
Equity Income	6	66 62	66 62xd	71 25	5 52	41430
Portfolio	6	56 39	56 39	60 31	1 71	41431
Uk Leading Cos	6	43 12	43 73	46 52	3 17	-
Broker Trusts						
Intl Equity	6	44 06	44 47	47 56	2 07	-

[illegible]

	Bid Price	Offer Price	Yield Gross	City-line

Local Authorities Mutual Invest. Tst.*

2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	Yield Gross	City-line
Property Jun 30	199 30	193 10	6 25	40825
Equity Jun 30	856 95	868 95	4 06	40826

Available only to Local Authorities

M & G Securities Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Charibond July 2		106.36	10 14	40383
(Accum Units)		661.12	10 14	40884
KAACIF Jun 30		41 25	9 07	46017

Morgan Greenfell Investment Funds Ltd

Exempt Funds

	Bid Price	Offer Price	Yield Gross	City-line
UK Equity † June 30	130 6	140.1	1 93	46925
UK Small Co † June 30	521.5	572 4	3.50	46936
Fixed Interest † June 30	110 8	116 6	8 58	46920
US Small Co June 30	132 5	141 8	0 00	46927
Managed June 30	109 0	116 7	3 67	46924
Intl Bond June 30	121 6	128 3	10 03	47790
Japan June 30	56 10	59 77	5.32	47877
European June 30	91 29	97 77	1 71	47876
Nth American June 30	103 8	111 7	1 41	47878

Morgan Stanley International

	Bid Price	Offer Price	Yield Gross	City-line
UK Exempt	£1042 61	1063 94	-	-
Overseas Exempt	£939 23	967 83	-	-

Murray Johnstone UT Mngmt

Murray Exempt Funds

	Bid Price	Offer Price	Yield Gross	City-line
American Exempt	48 63	50 58	1 67	41064
European Exempt	50.50	52 48	2 80	41065
Fixed Int Ex Jul 1	46 55	47 00xd	9 17	46594
Japan Exempt	34 96	36.33xd	0 85	41066
Managed Ex Jul 2	44 82	46 02	4 26	41067
SE Asia Exempt	77 52	81 40	2.01	41068
Sm Cos Expt Jul 1	35 17	37 23	3 18	41069

[illegible]

Allied Dunbar Assurance Plc

Allied Dunbar Ctr Swindon SN1 1EL

Life Funds

	Bid Price
Fixed Int. Dep Acc.	338 4
Equity Acc	1023 4
Property Acc	482.6
Far East Acc	188 6
European Acc	262
Managed Cap	417 7
Managed Acc.	804 3
O'seas Earnings Acc	722 0
Gilt Edged Acc.	401 6
American Equity Acc	534 5
American Man. Acc.	237 7
American Prop Acc.	120 0
High Income Acc.	24.7
Gen 4	
Fixed Int Dep Acc	28 1
Equity Acc.	26 7
Property Acc.	22 9
Far East Acc.	21 8
European Acc.	22 5
Managed Acc.	26 8
Overseas Acc	27 8
Gilt Acc	31 0
Am Equity Acc	26 3
Am Managed Acc.	25 6
Am Property Acc	20 7
High Income Acc.	24 7
High Income Ser 2.	24 7
Pension Funds	
F I Dep Cap	372.3
F I Dep Acc	709 9
Prop. Cap	495 8
Prop Acc.	1045 6
Man. Cap	871.8
Man Acc	1838 9
Gilt Edged Cap	390 3

[illegible]

Henderson Administration(z)

[illegible]bury Ave, London, EC2 M2PA 071-638 5757

	Bid Price	Offer Price	Yield Gross	City-line
[illegible]uity	308.7	328 5	-	42476
[illegible] Interest	64.8	69.0	-	42477
[illegible]erica	240.9	256 3	-	42482
[illegible]ast	343.7	365.7	-	42483
[illegible]l Managed	318.5	338 9	-	42434
[illegible]	208 6	219.6	-	42485
[illegible] Res.	133.4	140.5	-	42486
[illegible]	185 4	197.3	-	42489

[illegible]

Life Association of Scotland

113 Dundas St, Edinburgh EH3 5EB 031-550 5000

LAS Investment Assurance

	Bid Price	Offer Price	Yield Gross	City-line
Managed Fund	260 9	274 7	-	42674
UK Equity	443.9	467.3	-	42675
Property	292 4	307 8	-	42676
Money Market	230 1	242.3	-	42677
Fixed Interest	274 1	288 6	-	42678
Japan	237 4	249 9	-	42680
North American	116 5	122.7	-	42681
International	200.8	211 4	-	42682

[illegible]

NEL Britannia Assce Co Ltd—Contd.

Specialist Funds

	Bid Price	Offer Price	Yield Gross	City-line
Barings Convertibles	109.1	114 8	-	45279
Barings Eastern	119 1	125 4	-	45280
Barings Equity Income	97 1	102.2	-	45282
Barings European Growth	108 0	113 7	-	45281
Barings German Growth	103.8	109.3	-	45283
Barings Japan Growth	80 8	85.1	-	45284
Barings UK Smllr Cos	106.1	111 7	-	45285
Fidelity 1992 Euro Opps	101 1	106.4	-	45347
Fidelity American	110.4	116 2	-	45286
Fidelity Amer Sp Sits	119 0	125 3	-	[illegible]

[illegible]

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	Bid Price	Offer Price	Yield Gross	City-line
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood, Peterborough PE2 6FY 0733 470470				
Property Dist. (Gross)	136.0	143.2	-	43295
Property Acc. (Gross)	259.2	272.9	-	43236
Equity (Gross)	857.8	903.0	-	43237
Managed (Gross)	605.3	637.1	-	43238
Property Acc. (Net)	123.9	130.4	-	43239
Equity (Net)	199.5	210.0	-	43240
Adventurous Managed	91.9	96.7	-	41201
Managed (Net)	186.4	196.2	-	43241
Cautious Managed	96.0	101.1	-	41202
International (Net)	159.0	167.4	-	43242
Gilt & Fixed Interest	141.9	149.4	-	43243
Money Fund	139.9	147.3	-	43244
Mixed Fund (Cap)	117.3	123.5	-	46550
Mixed Fund (Acc)	121.7	128.2	-	46548
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	656.6	691.2	-	43245
Ret Man (Series 2)	222.6	234.4	-	43246
Ret Cash	197.3	207.7	-	43247
Pens Mixed Fd (Cap)	130.1	137.0	-	46559
Pens Mixed Fd (Acc)	135.1	142.3	-	46558
Pens Stg Fd (Cap)	103.5	109.0	-	46561
Pens Stg Fd (Acc)	107.5	113.2	-	46560

For Pioneer Mutual see Swiss Pioneer

	Bid Price	Offer Price	Yield Gross	City-line
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	132.0	139.0	-	43285
Building Soc. Fd.	223.0	235.0	-	43286
Balanced	271.0	286.0	-	43287
European	207.0	218.0	-	43289
GT Managed	184.0	194.0	-	43290
Gartmore Mngd	121.0	128.0	-	43291
German	133.0	140.0	-	43292
Gilt	181.0	191.0	-	43293
Global	40.0	43.0	-	46834
International Equity	196.0	207.0	-	43295
Japan	162.0	171.0	-	43296
Leisure	48.0	51.0	-	40526
Managed	46.0	49.0	-	43297
Property	292.0	308.0	-	43298
UK Equity	266.0	280.0	-	43300
Pension Funds				

	Bid Price	Offer Price	Yield Gross	City-line
Provident Mutual Life Assc. Assn.—Contd.				
Pension Funds				
Managed Ord.	456.8	480.8	-	43498
Managed Init.	333.2	350.7	-	43499
Equity Ord.	704.1	741.2	-	43500
Equity Init.	513.6	540.6	-	43501
Pen Ind Lkd Gilt Ord.	190.4	200.4	-	43502
Pen Ind Lkd Gilt Init.	145.0	152.6	-	43503
Overseas Equity Ord.	290.5	305.8	-	43504
Overseas Equity Init.	211.9	223.1	-	43505
Property Ord.	280.0	294.7	-	43506
Property Init.	204.2	214.9	-	43507
Fixed Interest Ord.	294.2	309.7	-	43508
Fixed Interest Init.	214.6	225.9	-	43509
Deposit Ord.	268.9	283.1	-	43510
Deposit Init.	196.1	206.4	-	43511
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prufund				
Managed Jul 1	256.8	267.5	-	43512
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3281				
Prudential Managed Funds				
Discretionary Jul 1	£184.75	190.49	-	43539
Equity Jul 1	£214.03	221.38	-	43540
International Jul 1	£25.86	26.41	-	43541
Intl Bond Jul 1	£14.01	14.20	-	43542
Fixed Int. Jul 1	£106.46	106.65	-	43543
Index Linked Jul 1	£77.30	78.28	-	43544
Property Jul 1	£109.38	115.37	-	43545
Cash Jul 1	£30.0273	30.0273	-	43546
Pru-Linked Retirement Plan				
Managed Jun 30	442.0	460.4	-	43547
Cash Jun 30	282.9	294.7	-	43548
Prudential Pensions Investment Account				
Pens Mngd Jul 4	177.0	190.4	-	43549
Pens UK Eq Jul 4	314.4	339.0	-	43550
Pens Intl Jul 4	187.0	201.2	-	43551
Pens Global Eqty Jul 4	96.3	103.5	-	40528
Pens Fixed Jul 4	241.8	255.3	-	43552
Pens Index Lk Jul 4	198.6	209.7	-	43553
Pens Property Jul 4	89.4	94.2	-	40531
Pens Cash Jul 4	184.8	194.6	-	43554

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0891 123456 Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Asset Global Funds Ltd (1200)						
Victory Hse Prospect Hill, Douglas IoM 0624 620097						
European Equity	5	£13 10	13 10xd	14 05	-	44689
UK Gilt	5	10 262	10 262xd	10 80	-	44690
Intl Equity	5	13 724	13 724xd	14 80	-	44691
International Bond	5	(5 032)	5 032xd	5 310	-	44692
Amburton Managed	5	£.9509	9509xd	1 0059	-	47016
European Bond	5	£.9997	9997xd	1 0537	-	47015
Sterling Cash Inc	5	£.9540	9540xd	1 0017	-	47017
CMI Fund Managers (IoM)						
Clerical Medical Hse Douglas, IoM 0624 625599						
High Income	5	10 4818	10 4818xd	5072	10 25	47293
CMI Core Portfolio Fund						
UK	5		£-0 9802	1 0519	-	47540
USA	5		£-0 9757	1 0351	-	47541
Japan	5		£-0 4293	0 4531	-	47539
Equity & Law Intl Fund Mngrs Ltd						
Victory Hse Prospect Hill, Douglas IoM 0624 677877						
Total Income Fd	5	95 70	95 82xd	100 85	10 01	41566
Gartmore Fund Managers (IoM)						
PO Box 32, Douglas IoM 0624 627610						
Intl Grth	5¼	467 7	467 7xd	501 2	0 91	45095
Leopold Joseph Fund Mngrs (IoM) Ltd						
PO Box 52 Athol St Douglas IoM 0624 661020						
LJ International	5¼	89 52	89 52	96 21	-	46804
Mercury Fund Managers IoM Ltd						
11 Hill Street Douglas IoM 0624 662255						
Merc IoM Fund	5	102 0	102 0	108 8	6 4	45970
Merc Intl Bond	5	50 33	50 33	52 92	8 7	45971
Sun Life Management (IoM) Ltd						
PO Box 178, Douglas, IoM 0624 622444						
Secure High Income	6	1.0493	1.0493	1 1251	8 00	47486
Unibank Scandinavian Fund Ltd						
23 Bucks Road, Douglas, IoM 06246 26484						
Scandinavia Fd	5	-	132 38xd	141 12	1 01	45823

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	Yield Gross	City-line
ATC Fund Management (SG) Ltd				
SG International	$10 79		-	45889
CMI Fund Mngrs (IOM)				
Traders Fund Ltd H	$17 18	18 57	-	46369
Dealings Wednesday				
City Financial Admin (IoM) Ltd				
Beckman Dollar $ Warrants	0 47	0 55	0 00	47332
Beckman Ocean & Warrants $	$0 87	1 01	0 00	47333

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Citibank (CI) Ltd "Citifunds"						
Short term Investment Funds						
Irish £ Jul 2			118 751		-	44840
Equity Funds						
Japan Equity Jul 2			57.286		-	44843
US Em Hrm Jul 6			$22.560		-	44844
US Em Tech Jul 6			$18 052		-	44855
Citicare Jul 6			$34 619		-	44856
Bond Funds						
GNMA Bond Jul 6			$15 029	15 035	-	44855
HYB (A) Jul 6			$91.876 852		-	44856
EBC Trust Company (Jersey) Ltd						
EBC Amro Traded Currency Fund Ltd*						
Income			$15 28	15 759	2 73	44891
Capital			$23 77	24 524	5 90	44892
*Offer price includes 3% prelim charge						
International Income Fund						
Eurobd Long Term*			$34 29	35 8524	4 71	44892
* Offer Price includes 3½% Initial Charge						
Equitilink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV July 2 C$13 20						
First Aust Prime Inc Inv Co Ltd NAV July 2 US$10 87						
NAV Diluted to reflect exercise of all Wrts C$12						
US$10 58nd						
Fidelity Investment (CI) Ltd						
Sterling American			£2.461	2.590	-	44979
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Deutschland Inv Co NAV			DM16 53		-	45036
Foreign & Colonial Mngmt (Jersey) Ltd						
Hypo Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash			$10 75		-	45007
Sterling Cash			£12 02		-	45008
US$ Bonds			$15 14		-	45009
Multicurrency Bonds			$20 55		-	45010
Sterling Bonds			£13 46		-	45011
D Mark Bonds			DM10 59		-	45012
Ecu Bonds			Ecu11.66		-	45013
UK Equities			£9 99		-	45014
US Equities			$16 39		-	45015
Japanese Equities			Y577		-	45016
Contl Euro Equities			DM16 99		-	45017
UK Negative Equities			£12 25		-	-
US Negative Eq.			$10 15		-	-
Japanese Negative Eq			Y1058		-	-
Cont Eur Negative Eqs.			DM-		-	-
UK Geared Equities			£-		-	-
US Geared Equities			$10 29		-	-
Japanese Geared Eqs.			Y-		-	-
Contl Euro Geared Eqs			DM-		-	-
John Govett Management (Jersey) Ltd						
Malaysia & Gen Co NAV Jul 2			$10 29		-	4799
S'pore Sesdaq Fd NAV Jul 3			$8 94		-	4786
Paragon Fd NAV Jan 30			$10 54		-	4795
Paragon Redemption			$9.91		-	4710

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

JERSEY (REGULATED)(**)

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS

UK rates stay high

THE US Federal Reserve's decision to cut its discount rate on Thursday probably means the dollar will remain under severe pressure this week, *writes Emma Tucker.*

UK clearing bank base lending rate 10 per cent from May 5, 1992

Another cut could follow. "The key message to heed is that the Fed has strongly signalled its concerns about the economy and thus further easing cannot yet be ruled out," said Mr Steve Hannah, head of research at IBJ International, the securities wing of the Japanese bank.

The Fed's move was also an uncomfortable reminder to UK markets that interest rates in Britain remain extremely high and that the government has lost the flexibility, enjoyed by the US authorities, to cut rates when it desires.

By the end of last week, the US move had sparked speculation that pressure would now grow for Germany to cut its rates, allowing other European countries in the ERM to reduce theirs.

Although the Group of Seven leading industrial nations are likely to try to redress global trade imbalances by talking up the yen at this week's Munich summit, they are unlikely to bring about a general cut in European rates.

Indeed, any hopes of a rate cut, amid much speculation at the end of last week, were dashed when British government officials said they did not expect there would be any immediate commitments to reduce interest rates arising from the meeting.

Rumours of a realignment of the exchange rate mechanism of the European Monetary System were also dismissed by UK officials.

"Clearly there is a wish on the part of Germany's partners for there to be lower German interest rates but it is not being approached in the sense of saying: 'please, cut them here and now,'" said an official last week.

£ IN NEW YORK

July 2	Close	Previous Close
£ Spot	1.9230-1.9240	1.9040-1.9050
1 month	1.02-1.01pm	1.00-0.98pm
3 months	2.93-2.90pm	2.96-2.93pm
12 months	10.20-10.12p	9.97-9.87pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 3	Previous
8.30 am	93.2	93.2
9.00 am	93.1	93.2
10.00 am	93.1	93.2
11.00 am	93.2	93.1
Noon	93.2	93.2
1.00 pm	93.2	93.2
2.00 pm	93.2	93.3
3.00 pm	93.0	93.3
4.00 pm	93.0	93.3

CURRENCY MOVEMENTS

Jul 3	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.0	-18.7
U.S Dollar	61.0	-17.8
Canadian Dollar	98.0	-3.7
Austrian Schilling	110.6	+12.6
Belgian Franc	112.4	-1.4
Danish Krone	110.7	+4.4
D-Mark	119.8	+26.0
Swiss Franc	108.7	+16.6
Dutch Guilder	115.3	+16.8
French Franc	105.9	-11.0
Lira	98.7	-20.0
Yen	141.4	+78.4
Peseta	108.4	-17.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for July 2

OTHER CURRENCIES

Jul 3	£	$
Argentina	1.8855 - 1.8885	0.9900 - 0.9910
Australia	2.5575 - 2.5695	1.3435 - 1.3445
Brazil	6677.50 - 6681.45	3506.00 - 3506.20
Finland	7.8880 - 7.9115	4.1250 - 4.1300
Greece	349.850 - 355.450	182.690 - 185.610
Hong Kong	14.7180 - 14.7315	7.7305 - 7.7315
Iran	2738.00*	1435.00*
Korea(Sth)	1501.15 - 1525.35	783.20 - 789.40
Kuwait	0.55200 - 0.55300	0.28870 - 0.28900
Luxembourg	59.70 - 59.80	31.25 - 31.35
Malaysia	4.7575 - 4.7695	2.4975 - 2.4990
Mexico	5946.00 - 5947.95	3118.00 - 3119.00
N.Zealand	3.4965 - 3.5005	1.8335 - 1.8355
Saudi Ar	7.1620 - 7.2390	3.7495 - 3.7505
Singapore	3.0780 - 3.0855	1.6160 - 1.6170
S.Af (Cm)	5.2415 - 5.2540	2.7620 - 2.7640
S.Af (Fn)	7.3485 - 7.3915	3.8535 - 3.8760
Taiwan	47.80 - 47.90	25.05 - 25.15
U.A.E.	7.0125 - 7.0900	3.6715 - 3.6735

*Floating rate. Iran Official rate:£121.40 $64.00

CURRENCY RATES

Jul 3	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.753174	0.706560
U.S Dollar	3.00	1.43555	1.35342
Canadian $	5.85	1.72596	1.62572
Austrian Sch	7.50	15.3920	14.4193
Belgian Franc	8.50	44.8932	42.1657
Danish Krone	9.50	8.39079	7.87011
D-Mark	8.00	2.18534	2.04840
Dutch Guilder	8.50	2.45852	2.30893
French Franc	10¼	7.33925	6.89227
Italian Lira	12	1655.83	1552.64
Japanese Yen	3.75	178.870	168.663
Norway Krone	-	8.54511	8.02440
Spanish Peseta	-	137.908	129.437
Swedish Krona	10.00	N/A	7.40075
Swiss Franc	7.00	1.96455	1.83320
Greek Drach	19	266.096	249.827
Irish Punt	-	0.817605	0.767896

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland.
† European Commission Calculations.
* All SDR rates are for July 2

CHICAGO (July 2)

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev.
Sep	102-18	102-24	101-02	101-31
Dec	101-11	101-17	99-30	99-26
Mar	100-08	100-09	98-30	98-24
Jun	99-05	99-05	98-00	97-22
Sep	98-04	98-04	97-00	96-22
Dec	97-06	97-06	96-25	96-25
Mar	96-11	96-11	96-01	95-31

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Close	High	Low	Prev.
Sep	0.8020	0.8090	0.7971	0.7963
Dec	0.8011	0.8070	0.8030	0.7958
Mar	0.8012	0.8050	-	0.7963

POUND SPOT - FORWARD AGAINST THE POUND

Jul 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9030 - 1.9220	1.9085 - 1.9095	1.03-1.01cpm	6.41	2.92-2.89pm	6.09
Canada	2.2890 - 2.3000	2.2900 - 2.2910	0.88-0.81cpm	4.43	2.46-2.34pm	4.19
Netherlands	3.2570 - 3.2680	3.2575 - 3.2675	¼cpm-par	0.23	⅜-⅛pm	0.31
Belgium	59.45 - 59.80	59.70 - 59.80	4-1cpm	0.50	8-2pm	0.33
Denmark	11.1100 - 11.1575	11.1475 - 11.1575	½-1⅞oredis	-1.01	1¼-2¾dis	-0.72
Ireland	1.0835 - 1.0890	1.0875 - 1.0885	0.03cpm-par	0.17	0.11-0.04pm	0.28
Germany	2.8900 - 2.8985	2.8925 - 2.8975	⅛pfpm-par	0.26	⅛pm-par	0.09
Portugal	240.25 - 242.80	242.30 - 242.80	51-120cdis	-4.23	143-335dis	-3.94
Spain	182.50 - 183.50	183.20 - 183.50	35-44cdis	-2.59	112-128dis	-2.62
Italy	2192.45 - 2198.65	2192.00 - 2193.00	7-9lirdis	-4.38	20-22dis	-3.83
Norway	11.3255 - 11.3565	11.3350 - 11.3450	par-⅝oredis	-0.33	⅝-2dis	-0.46
France	9.7065 - 9.7620	9.7450 - 9.7550	par-¼cdis	-0.15	½-¾cdis	-0.28
Sweden	10.4500 - 10.4850	10.4750 - 10.4850	¼-1½oredis	-1.29	3¼-4½dis	-1.53
Japan	237.50 - 238.65	237.50 - 238.50	1⅛-1ypm	5.36	3¼-3⅛pm	5.36
Austria	20.34 - 20.41	20.38 - 20.41	1⅞-1¼gropm	0.72	2¼pm-par	0.22
Switzerland	2.5810 - 2.5970	2.5850 - 2.5950	¼-⅛cpm	0.87	⅝-⅜pm	0.77
Ecu	1.4090 - 1.4180	1.4155 - 1.4165	0.06-0.11cdis	-0.72	0.23-0.30dis	-0.75

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.57-5.52pm. 12 Month 10.07-9.97pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9030 - 1.9220	1.9085 - 1.9095	1.03-1.01cpm	6.41	2.92-2.89pm	6.09
Ireland†	1.7535 - 1.7660	1.7535 - 1.7545	1.00-0.97cpm	6.74	2.87-2.80pm	6.47
Canada	1.2000 - 1.2030	1.2020 - 1.2030	0.19-0.21cdis	-2.00	0.56-0.60dis	-1.93
Netherlands	1.6985 - 1.7140	1.7085 - 1.7095	0.85-0.88cdis	-6.07	2.53-2.56dis	-5.96
Belgium	31.00 - 31.35	31.25 - 31.35	15.00-16.00cdis	-5.94	45.00-48.00dis	-5.94
Denmark	5.7960 - 5.8415	5.8400 - 5.8450	3.50-3.80oredis	-7.50	9.60-10.70dis	-6.95
Germany	1.5060 - 1.5215	1.5160 - 1.5170	0.79-0.80pfdis	-6.29	2.32-2.34dis	-6.15
Portugal	126.20 - 126.95	126.85 - 126.95	109-110cdis	-10.07	307-322dis	-9.91
Spain	95.10 - 95.95	95.85 - 95.95	72-75cdis	-9.20	214-218dis	-9.01
Italy	1144.00 - 1153.00	1148.25 - 1148.75	10.50-11.20liredis	-11.34	29.00-31.00dis	-10.45
Norway	5.9095 - 5.9445	5.9375 - 5.9425	3.30-3.60oredis	-6.97	9.65-10.45dis	-6.77
France	5.0750 - 5.1200	5.1050 - 5.1100	2.81-2.86cdis	-6.66	8.30-8.40dis	-6.54
Sweden	5.4420 - 5.5010	5.4875 - 5.4925	3.45-3.65oredis	-7.76	10.20-10.85dis	-7.67
Japan	124.20 - 125.10	124.65 - 124.75	0.09-0.10ydis	-0.91	0.22-0.23dis	-0.72
Austria	10.6200 - 10.6675	10.6625 - 10.6675	5.30-5.65grodis	-6.16	15.70-16.70dis	-6.08
Switzerland	1.3500 - 1.3610	1.3565 - 1.3575	0.61-0.65cdis	-5.57	1.82-1.90dis	-5.48
Ecu	1.3455 - 1.3585	1.3500 - 1.3510	0.82-0.80cpm	7.20	2.37-2.33pm	6.96

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

July 3	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.909	2.895	238.0	9.750	2.590	3.263	2193	2.291	59.75	183.5	1.416
$	0.524	1	1.517	124.7	5.107	1.357	1.709	1149	1.200	31.30	96.12	0.742
DM	0.345	0.659	1	82.21	3.368	0.895	1.127	757.5	0.791	20.64	63.39	0.489
YEN	4.202	8.021	12.16	1000.	40.97	10.88	13.71	9214	9.626	251.1	771.0	5.950
F Fr.	1.026	1.958	2.969	244.1	10.	2.656	3.347	2249	2.350	61.28	188.2	1.452
S Fr.	0.386	0.737	1.118	91.89	3.764	1	1.260	846.7	0.885	23.07	70.85	0.547
N Fl.	0.306	0.585	0.887	72.94	2.988	0.794	1	672.1	0.702	18.31	56.24	0.434
Lira	0.456	0.870	1.320	108.5	4.446	1.181	1.488	1000.	1.045	27.25	83.68	0.646
C$	0.436	0.833	1.264	103.9	4.256	1.131	1.424	957.2	1	26.08	80.10	0.618
B Fr.	1.674	3.195	4.845	398.3	16.32	4.335	5.461	3670	3.834	100.	307.1	2.370
Pta	0.545	1.040	1.578	129.7	5.313	1.411	1.778	1195	1.249	32.56	100.	0.772
Ecu	0.706	1.348	2.044	168.1	6.886	1.829	2.304	1549	1.618	42.20	129.6	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

NEW YORK

BRUSSELS		MILAN	
One month	9	One month	14
Three month	9	Three month	14
AMSTERDAM		DUBLIN	
One month	9.51 / +0.045	One month	10
Three month	9.50 / +0.035	Three month	10

LONDON MONEY RATES

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Co-operative Bank
PO Box 300 Skelmersdale, Lancs 0800 616162
TESSA
TESSA | 10.00 | - | - | -
Investment 90 - 90 Day Notice Savings
£50,000+ | 10.25 | 7.69 | 10.51 | -

NOTES- Gross: Contractual rate of interest payable not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. Compounded Annual Rate. Int Cr: Frequency at which interest is credited to the account.

FINANCIAL TIMES STOCK INDICES

	July 3	July 2	July 1	June 30	June 29	June 26	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs.	89.75	89.40	89.18	88.91	88.84	88.91	89.75	85.11	127.4	49.18
Fixed Interest	106.26	105.77	105.33	104.93	104.76	104.57	106.26	97.15	106.26	50.53
Ordinary	1915.5	1901.1	1917.3	1942.3	1944.7	1963.9	2149.7	1851.4	2149.7	49.4
Gold Mines	90.1	89.6	89.3	92.1	94.4	94.7	160.6	89.3	734.7	43.5
FT Act All-Share	1204.25	1195.93	1204.05	1216.62	1215.77	1224.17	1326.36	987.46	1326.36	61.92
FT-SE 100	2497.1	2476.1	2493.9	2521.2	2515.8	2534.1	2737.8	2382.7	2737.8	986.9
FT-SE Eurotrack 100	1142.19	1134.63	1132.36	1139.30	1141.48	1145.05	1199.58	1078.19	1199.58	900.45
FT-SE Eurotrack 200	1168.36	1160.30	1161.24	1169.77	1173.91	1179.25	1248.79	1120.52	1248.79	938.62

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

BRITISH FUNDS - Cont.

BRITISH FUNDS - Cont.

OTHER FIXED INTEREST

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

BASE LENDING RATES

	%
Adam & Company	10
Allied Trust Bank	10
AIB Bank	10
● Henry Ansbacher	10
B & C Merchant Bank	10.5
Bank of Baroda	10
Banco Bilbao Vizcaya	10
Bank of Cyprus	10
Bank of Ireland	10
Bank of India	10
Bank of Scotland	10
Banque Belge Ltd	10
Barclays Bank	10
Benchmark Bank	11
Brit Bk of Mid East	10
● Brown Shipley	10
CL Bank Nederland	10
Citibank NA	10
City Merchants Bank	10
Clydesdale Bank	10
Co-operative Bank	10
Coutts & Co	10
Credit Lyonnais	10
Cyprus Popular Bk	10
Duncan Lawrie	10
Equatorial Bank plc	10
Exeter Bank Limited	10.5
Financial & Gen. Bank	10
● Robert Fleming & Co.	10
Robert Fraser & Ptnrs	10.5
Girobank	10
● Guinness Mahon	10
Habib Bank AG Zurich	10
● Hambros Bank	10
Hampshire Trust Plc	13.5
Heritable & Gen Inv Bnk.	10
● Hill Samuel	10
C. Hoare & Co.	10
Hongkong & Shanghai	10
Julian Hodge Bank	10
● Leopold Joseph & Sons	10
Lloyds Bank	10
Meghraj Bank Ltd	10
McDonnell Douglas Bnk	10
Midland Bank	10
Mount Banking	10
NatWestminster	10
Northern Bank Ltd	10
Nykredit Mortage Bank	10.5
Provincial Bank PLC	14
● Rea Brothers	10
Roxburghe Bank Ltd.	11
Royal Bk of Scotland	10
● Smith & Williamson Secs	10
Standard Chartered	10
TSB	10
Unibank plc	10
● United Bk of Kuwait	10
Unity Trust Bank Plc	10
Western Trust	10
Whiteaway Laidlaw	10
Yorkshire Bank	10

● Members of British Merchant Banking & Securities Houses Association.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	W'k% change	Div gross	Dividends paid	Last xd	City line
Abbott Labs	h	15⅞xc	4.6	88c	FeMyAuNv	8.4	1503
♥Allegheny & W		288p	-5.8	38c	–	–	–
Amdahl		929p	7.7	10c	NvMrJeAu	31.1	–
Amer Cyanamid		28½	0.4	$1.65	MrJeSeDe	4.3	–
Amer Express		12⅞xd	-.8	$1.00	FeMyAuNv	29.6	1594
Amer T & T		22⅝xd	4.6	$1.32	FeMyAuNv	27.3	1597
Ameritech		33¼	-.7	$3.52	FeMyAuNv	28.3	–
BankAmerica		24⅛xd	4.6	$1.30	FeJeSeDe	19.5	1744
Bankers NY		31⅞xd	7.6	$2.80	ApJyOcJa	27.12	1745
Bell Atlantic		23½	-.5	$2.60	FeMyAuNv	4.7	–
BellSouth		28	–	$2.76	FeMyAuNv	5.4	–
♥Bethlehem Steel		7⅞xd	-.8	–	MrJeSeDe	6.2	1821
Bowater		1098pxd	-2.0	$1.20	OcJaApJy	9.3	1884
CPC	h	24⅞xd	2.4	$1.28	JaApJyOc	28.8	2263
♥Cadiz Land Inc		215p	–	–	–	–	–
California Engy		620p	-2.4	–	–	–	–
Campbell Soup		18⅞xd	0.7	78c	OcJaApAu	2.7	2050
Chase Manhattan		14⅝xd	5.3	$1.20	FeMyAuNv	24.4	2109
Chrysler		10¼xd	-3.5	60c	ApJyOcDe	17.8	2135
Citicorp		11⅛xd	3.5	–	–	25.10	2141
Colgate-Palm		27⅞xd	2.6	$1.08	FeMyAuNv	22.4	2184
Cont'l Bank		686p	11.3	60c	DeMrJeSe	31.5	–
Dana		22⅛xd	-4.3	$1.60	MrJeSeDe	28.5	2306
Data General		398p	-4.6	–	–	–	–
♥Decora Inds		105p	6.1	–	–	–	–
Dun & Brad		29⅝	0.9	$2.28	MrJeSeDe	13.2	–
Eaton		30⅞	-5.6	$2.28	FeMyAuNv	2.2	2410
Echlin		10⅛xd	2.5	70c	JaApJyOc	30.6	3046
FPL		18⅞xd	0.3	$2.44	MrJeSeDe	28.5	–
Fluor		20⅞	-3.6	40c	JaApJyOc	18.6	2609
Ford Motor		22⅞	-6.5	$1.60	MrJeSeDe	29.4	2615
Gen Elect		40¼xd	-1.2	$2.28	JaApJyOc	3.6	2675
♥General Host		444p	6.5	24c	–	13.12	–
Gillette		25⅛xd	2.6	72c	MrJeSeDe	29.1	2695
Hasbro		15¼	2.5	20c	JaApJyOc	1.8	–

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

	Notes	Price	W'k's ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
Scottish Inv	†	109½	1.0	4.4	Feb Jul	487.9	1.6	[illegible]
Warrants		28½	—	—	—	13.6	—	[illegible]
Scot Mortgage		100	2.0	3.9	Jul Dec	541.1	11.5	[illegible]
Scot National Inc		86½	−4.4	0.65	ApJyOcJa	138.1	1.6	[illegible]
Cap		22	4.5	—	—	14.7	—	[illegible]
Stepped Pf	†	141	0.4	5.25	Sep Mar	46.6	24.2	[illegible]
Zero Div Pf		109½	0.8	—	—	110.1	—	[illegible]
Warrants		4½	—	—	—	0.57	—	[illegible]
Scot Value		62½	−8	1.2	Jan Jul	14.6	1.6	2706
Sec Alliance	†	1129	1.7	36.8	Apr Oct	218.7	24.2	3674
Second Market	s	231	−4	1.6	May	281.3	6.4	3578
Sec Tst Scot		97	0.8	3.25	Jul Dec	214.6	11.5	3677
Select Assets		88	−1.1	0.80	Apr	21.1	24.2	3685
Eq Ind Ser I		118	1.7	4.25	JaApJeOc	28.8	6.4	[illegible]
Eq Ind Ser II		118	1.7	4.25	JaApJeOc	28.1	6.4	[illegible]
Shires		228	−2.1	18.4	ApJyOcJa	57.4	15.6	4014
11pc Cv Ln '03/04		£115½	0.9	011%	Sep Mar	28.4	24.2	4012
Siam Select		72	—	1.0	Jul	10.8	—	[illegible]
Warrants		13	—	—	—	0.39	—	[illegible]
Smaller Cos		79	−2.5	2.5	Apr Oct	11.9	24.2	[illegible]
Warrants		16	—	—	—	0.40	—	[illegible]
Sphere Inc	N	13½	—	3.1	[illegible]	18.4	27.4	4278
Zero Div Pf		74¼	—	—	—	78.3	—	5227
Warrants		8¾	—	—	—	0.90	—	[illegible]
Stratton		153	−1.3	1.7	Jul	10.3	1.6	4128
Sveafi		65	—	1.25	May	3.94	9.3	4132
TR City of Lon	M	116	−2.1	4.70	FeMyAgNv	221.8	6.4	4271
TR Euro Growth	s	78	1.3	1.8	Oct	28.8	16.9	[illegible]
Ptg Sub	s	44	—	1.8	Oct	1.80	16.9	—
TR Far East Inc	M	85	1.1	4.4	ApJyOcJa	41.4	11.5	[illegible]
Warrants		17	—	—	—	1.57	—	—

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

STORES

MINES - Cont.

	Price	W'k's ch'nge	Div net	Div cov	Dividend paid	Last xd	City line
Homestake $	£7¼	2.7	Q28c	—	FeJaAuNv	14.5	2916
‡†Ivernia West I£	37	−5.1	—	—	—	—	—
‡†Kells Mins I£	22	−4.3	—	—	—	—	3741
‡Kenmare	3¾	—	—	—	—	—	1453
Melinga Res	37	−9.8	—	—	—	—	—
‡†Navan Res I£	23	—	—	—	—	—	1185
North West Expl A$	3	—	—	—	—	—	—
Oryx Gold $	60	—	—	—	—	—	3606
Plateau	6	—	—	—	—	—	3407
RTZ	504	−5	19.5	1.7	Dec Jul	23.3	3889
Vizcaya	1¾	−12.5	—	—	—	—	4193
Western & Pac C$	9½	−26.9	—	—	—	—	—
Young Grp	28	−4.8	2.6	2.5	Oct	9'90	5800

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and *FT-Actuaries World Indices.*

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♣ Unregulated collective investment scheme.

a Annualised dividend.
b Figures based on prospectus or other offical estimates.
c Cents.
f Flat yield.
g Assumed dividend.
h Assumed dividend after scrip issue.
m Interim higher than previous total.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend excludes a special payment.
t Indicated dividend: cover relates to previous dividend.
u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.
v Subject to local tax.
z Dividend includes a special payment: Cover does not apply to special payment.
E Auction basis.
F Dividend based on prospectus or other offical estimates for 1990-91.
G Assumed dividend after pending scrip and/ or rights issue.
H Dividend based on prospectus or other official estimates for 1991.
K Dividend based on prospectus or other official estimates for 1992-93
L Estimated annualised dividend, cover based on latest annual earnings.
M Dividend based on prospectus or other offical estimates for 1991-92.
N Dividend based on prospectus or other offical estimates for 1992.
P Figures based on prospectus or other offical estimates for 1991.
Q Gross.
R Forecast annualised dividend, cover based on prospectus or other offical estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend total to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service:

Additions: Industrial Control Services (Section. Electronics), Brazilian Inv. Tst and Warrants (Inv. Trusts) and Hughes (TJ) (Stores).

Deletions: Dial Corporation (Americans), Guinness 5⅛pc Prf (Brewers & Distillers), Graham Wood (Contracting & Construction), Five Arrows Warrants (Inv. Companies), Alan Paul (Miscellaneous) and Speyhawk (Property)

Details of industrial sector changes are given on page 16.

London Share Prices

Real time share prices are available by calling FT Cityline on 0891 43 + the four digit code listed after the share price on this page. Calls charged at 36p/min cheap rate and 48p/ min at all other times.

MONDAY INTERVIEW

Tireless champion of trade

Arthur Dunkel, director-general of Gatt, talks to **David Dodwell** and **Frances Williams**

When Arthur Dunkel was born in Switzerland in 1932, the world was locked in the Great Depression. Europe was heading for world war. The rise of protectionism and the collapse of the multilateral trading system had played a critical trigger role in creating the turbulent world in which he grew up: "Too many people are still alive who learnt at school the result of destroying the multilateral system in the 1930s, to see it happen again," he says.

This early experience, and an unflinching confidence in the *sagesse des nations*, makes Mr Dunkel, director-general of the General Agreement on Tariffs and Trade (Gatt) since 1980, confident that world leaders gathering today in Munich for the Group of Seven summit can rise above domestic economic and political difficulties to rescue the long-stalled Uruguay Round of talks on world trade liberalisation: "Surely you did not think the director-general of Gatt could say the round is dead?" he smiled over a first Gitanes cigarette.

For the past 18 months, progress in the Uruguay Round has been stalled by a clash between the EC and the US over liberalisation of farm trade. Since publishing a draft agreement in December – often referred to as the Dunkel "final act" – in an effort to concentrate minds towards conclusion of the round, even Mr Dunkel has been a restive spectator on events: "It was difficult to start the Uruguay Round, but it's even more difficult to finish it," he reflects, with a rare hint of impatience.

Painstaking negotiation has brought the US and the EC to within inches of a conclusion – so close that most observers are baffled that agreement remains so elusive. Deadline after deadline has been missed in spite of the critical importance of the round and the fact that success is predicted by various economic models to expand international trade by about $195bn a year by the end of the decade. Attention is being diverted by conflict in Yugoslavia, the problems of ratifying the Treaty on European Union, referenda in France and Canada, and elections in Japan, the US and Korea.

There is a danger that not only the world trading system, but the institution of Gatt itself, is being jeopardised by the impasse. Mr Dunkel has been asked to delay his retirement to March next year because of the impossibility of finding a successor to an organisation the fate of which is so unclear.

The ultimate deadline for completing the Uruguay Round – the expiry of the US administration's fast-track authority, which prevents Congress from delaying enactment by examining the round paragraph by paragraph, in March next year – looms close. Even if EC and US leaders can put aside their differences and reach agreement at or shortly after this week's summit, negotiations over trade in services, and on market access, need months of attention. Fierce disputes over shipping, financial services, and even ostensibly small matters such as trade in bananas, lie in wait.

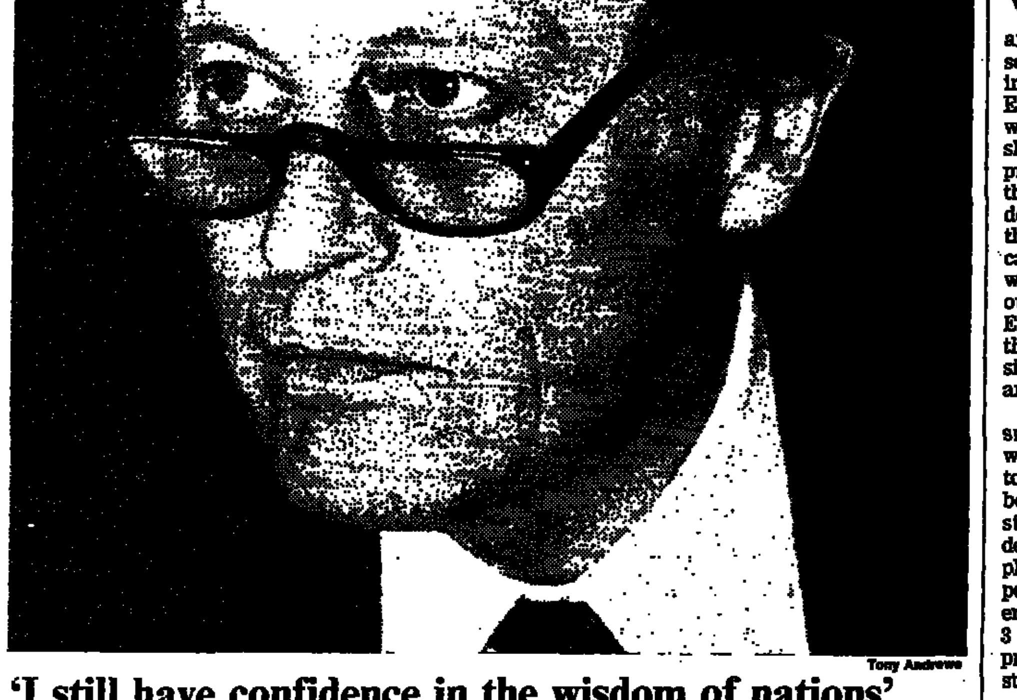
With a lifetime of negotiating experience behind him, and a perspective that draws upon memories of grim periods during the early and middle 1980s – such as the infamous ministerial meeting in 1982 at which trade war was narrowly averted, and the walkout by Argentina and other farm exporters in Brussels in 1990 – Mr Dunkel refuses to be overcome by the prevailing gloom.

He feels that success in negotiations over farm trade will provide the momentum needed to resolve other outstanding differences: "I still have great confidence in the wisdom of nations. What we are doing is like climbing the last few metres of Everest without oxygen: we have to train a lot to be able to do it and the last 200 to 300 metres are tremendously difficult."

Mr Dunkel, slouching over his fourth Gitanes, remains unruffled by talk of imminent deadlines: "My ambition is to reach the point where we initial the text with as few as possible participants saying their hands have been forced. If we want to achieve this ideal we need time," he says, adding "when people are convinced it is the 11th hour", there will be a settlement.

He remains confident that success will eventually come because publication of the "final act" took talks "beyond the point of no return", and because it provided negotiators for the first time with a concrete picture of what stood to be gained: "The round has had more results than we think."

Throughout the turbulent and often hostile talks since 1982, when a new trade round was first proposed, "the reality is that we have moved. A large number of governments have reformed their policies very much in line with the [multilateral] objectives of Gatt."



Tony Andrews

'I still have confidence in the wisdom of nations'

He believes that the Uruguay Round has been so difficult because it is "completely different" from previous rounds. Its dauntingly wide-ranging agenda, covering everything from textiles to telecommunications, touches upon areas that governments have always regarded as their autonomous preserve – such as domestic farm subsidies or rules on services and intellectual property.

PERSONAL FILE

1932 Born in Switzerland.
1956 Graduated from University of Lausanne, degree in Economic and Commercial Sciences.
1956-60 Swiss government, in office for Foreign Economic Affairs.
1960-64 Swiss government, responsible for OECD affairs.
1964-71 Swiss government, responsible for section for co-operation with developing countries.
1971-76 Swiss representative to Gatt.
1976-80 Head of Swiss negotiating team in Tokyo Round.
1980- Director-general of Gatt

Compared with previous negotiating rounds, which he describes as "a sort of exercise among small groups of government specialists", he says that in the current talks "people in the street see a direct link between the round and what they are doing."

Glancing wistfully at a tiny oil painting of Punta del Este, where the Uruguay Round agenda was set in train in 1986, he rebuts any suggestions that its aims were unrealistically ambitious: "If you have no ambition, you never do anything. Can someone tell me it was wrong to put order into agriculture? Was it wrong to want to bring textiles into the Gatt – which were setting a bad example in other areas. Wasn't it right to put services into the round? Of course it was right. We need a multilateral system in these areas."

The result of the pressures to include these areas is that the Uruguay Round agenda is "perfectly logical and defendable", now it is an immensely heavy agenda.

Part of Mr Dunkel's optimism springs from a belief that, for the countries involved, there is little alternative to agreement. Failure of negotiations would leave unresolved the problems that forced trading countries to the negotiating table in the first place. As a result, Mr Dunkel believes that the round could not be broken off for long. "If we came to the tragic situation of missing the fantastic opportunities the round is offering, I will think it was an accident. I am sure that very soon afterwards governments will come together and relaunch the round."

For the moment, Mr Dunkel is faced with the paradox that just as commentators are talking of the world trading system on the brink of collapse, the Gatt is being used more extensively than ever before. It is seeing unprecedented activity in handling disputes, examining regional trade agreements, reviewing countries' trade policies, not to mention dealing with a long queue of applications for accession and observer status.

It is also closer than at any time in its history to having a membership that embraces the entire world. The collapse of the Soviet empire has brought dozens of countries that historically have been outside the Gatt system to the organisation's doors. This includes not just eastern European countries such as the Baltic states and Czechoslovakia, but also Mongolia and other former Soviet republics, and Vietnam. China and Taiwan are expected to be full members within a year.

Success in the round would of course put Mr Dunkel into the history books, but here he is modest: "Success or failure doesn't depend on one person. It will be a collective result. If we succeed, lots will want to say they played a part. If we fail, I suspect there will be people looking for scapegoats."

Either way, by this time next year, he is likely to have moved aside. At present, he is keeping options open for his "fourth life" – his first three having been his student days, his service in the Swiss government service, and most recently his leadership of Gatt. "Perhaps I could write a book analysing the negotiating process in the Gatt." After his experience in smoke-filled rooms, it would be a long, but no doubt worthwhile, read.

Time to rethink US federalism

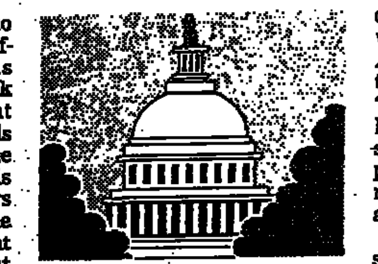
On a recent trip to Oregon and California, I was prompted to think anew about a principle that seems to exercise many minds in Europe. In integrating the European Community, it is widely argued, political leaders should try not to violate the principle of subsidiarity. What this means in English is that decisions should be devolved to the lowest level of government capable of handling them. To what extent does the US honour this principle? And can Europe learn any lessons from the way the US divides responsibilities between Washington and the states?

Historically, the US had a small federal government which mostly restricted itself to functions which could not be performed by individual states – such as national defence and foreign policy. It played little or no role in social policy. As recently as 1929, federal expenditure was less than 3 per cent of gross domestic product, or less than a third of state and local spending.

In the past half century, two forces have disturbed this equilibrium. First, state governments were overwhelmed by the economic distress caused by the Great Depression. Led by Franklin Roosevelt, the federal government assumed an array of new duties including sole responsibility for social security (pensions) and joint responsibility for welfare and unemployment benefits.

A second phase of federal expansion occurred in the 1960s partly out of a growing conviction that state governments were incompetent and unresponsive to social needs. Led by Lyndon Johnson, the federal government took sole responsibility for health care for the elderly, set up Medicaid, a joint federal/state health scheme for the indigent, and unleashed a flood of programmes to combat poverty, widen educational opportunities and enforce civil rights.

Most of these interventions made sense at the time. But the justification for Washington's continuing role in so



MICHAEL PROWSE
on America

many spheres now seems doubtful. For one thing, the quality of state government has improved enormously. On my travels I was repeatedly struck by the competence and dedication of state officials. In Salem, Oregon, for example, Ms Jean Thorne, the articulate head of the Medicaid programme, is chafing at the arbitrary rules and restrictions imposed from Washington. Under federal "mandates" certain categories of the poor, such as families with young children, are entitled to the most expensive high-tech medicine while others, such as childless single women, qualify for nothing.

A few blocks away, I found Mr Duncan Wyse sitting at a computer screen planning the state's economic development. Sporting an MBA from Stanford University, his role is to use business principles to improve the effectiveness of public policy. As director of the Oregon Progress Board, he has developed a series of precise economic and social targets known as "benchmarks". These are designed to provide concrete measures of the state's progress towards its longer-term strategic goals. If Governor Bill Clinton of Arkansas were to win the presidential race, something akin to Oregon's benchmarks would probably be introduced on a national scale.

The renaissance of state governments suggests a rethinking of their role is now overdue. (The Nixon and Reagan administrations made half-hearted attempts to transfer duties to the states but achieved relatively little.) One of the few analysts to come up with concrete proposals is Ms Alice Rivlin, a senior fellow at the Brookings Institution. In "Reviving the American Dream", published last month, she argues that America's poor performance in many fields reflects the blurring of state and federal responsibilities.

She believes the states should assume full responsibility for what she calls the US's "productivity agenda". By this she means all the policies – from education, skills training, childcare, social services, industrial policy and the modernisation of infrastructure – that have a bearing on micro-economic productivity. The federal government should remain responsible for macro-economic policy (where the priority is to raise national savings by cutting the deficit), pensions, and expand its role in health care.

The notion that the states must take the lead in enhancing US productivity seems inherently plausible. The nation is so diverse that Washington-based officials inevitably lack the necessary detailed knowledge of local economic and social conditions. Ms Rivlin is also right to point out that states will need more robust sources of revenue if they are to undertake new responsibilities. Taking the fiscal arrangements of German Länder as a model, she argues for new national taxes shared on a per capita basis among the states.

Translated into Eurospeak, the message is clear: in the past 50 years the US federal government ignored the importance of subsidiarity and took on many duties that might have been better left to individual states. If Ms Rivlin's programme were adopted, dozens of federal programmes could be profitably axed. She may, indeed, be too cautious: many states or consortia of states could quite easily assume full responsibility for managing health care. Whether Congress and the White House will ever agree to hand back functions (and revenue) to the states is, of course, doubtful.

An American row in Paris

The papers say there is a big chill in Franco-American relations. The centre-piece in the story is a visit to Washington by Mr Roland Dumas, the French foreign minister. The story says Mr Dumas had a difficult confrontation with Mr James Baker, US secretary of state; they disagreed about French ambitions for a European defence policy; to the point where Baker asked Dumas point-blank: "Are you for us or against us?"

It turns out this is an old story; but it keeps reappearing. The incident in question took place nearly two months ago, and was duly reported at the time. Other accounts followed sporadically. The same story was carried at length in the New York Times again last week, freshened with up-to-date embellishments. Some people in Washington must really want the world to know that they are displeased with the French.

This disagreement has a long history. Friction over the defence of Europe was a constant feature of the Cold war: the US insisted on an integrated Nato alliance, President de Gaulle insisted on French independence.

But it seems extraordinary that it should still be going on today. The Cold war is over, the Warsaw Pact has been disbanded, the Soviet Union has disintegrated, and Nato has joint meetings with its former enemies. There must be something irrational in constantly resuscitating these

IAN DAVIDSON
on Europe

out-dated quarrels.

Americans may think the French are doing their best to bring the old quarrel right up to date. Nato is trying to make sense of a slimmed-down role, with fewer forces and no enemy; but the French are making the job harder by pushing ahead with a rival European Corps, in league with their German friends.

In reality, of course, the Franco-German Corps is only a military symbol for a political conflict, which is about the American role in Europe.

If defence becomes a lower priority, Nato becomes less central to transatlantic relations, and America loses leverage. But if the Europeans start to get together on defence, in the Western European Union, in the Franco-German Corps, or under the Maastricht treaty, that is much worse for the Americans who fear they will be marginalised. Who is to blame? The French, of course, because they have always been unsound on Nato.

The US response so far has been to adopt the tactics of an old scold. They have shrieked with indignation whenever the Europeans showed interest in a purely European defence policy; and have demanded that Nato be pumped up with important new tasks to sustain its central role.

This is not very clever. The Atlantic Alliance was first created, and then held together for 40 years, solely by the overwhelming threat of attack by the Soviet Union. That purpose was written into Nato's treaty, and there is no consensus, nor even majority support, for re-writing the treaty to give Nato new military missions.

The US has persuaded its allies that Nato can in future provide logistical support for humanitarian tasks not written into the Treaty. But that is just about as far as they will be able to go, and it does not give Nato a new *raison d'être*.

Sooner or later, it will be necessary to throw off these nostalgic regrets, and analyse the transatlantic problem in terms of today's realities.

These realities can be simplified in three propositions. First, unless a belligerent Russia rises from the ashes of the defunct Soviet Union, the new security risks facing Europe and America will be different in kind from the old, and need different responses.

Second, Europe and the US will have to co-operate in facing these new risks; so they need a new frame of co-operation; but it must be a co-operation between equals.

Third, the specific challenge in such co-operation is to find ways of mobilising Germany as a full participant in the new security arrangements.

The terrible disorders in ex-Yugoslavia and various parts of the ex-Soviet Union give some hints of the new security risks. Military force is not necessarily the central response; yet it may be an element in a larger strategy.

Nato cannot be the forum for a Euro-American strategy, because Europe will not give it that task. The 12 EC members are committed to work on a common foreign policy; they will not subordinate it to US domination in Nato.

Germany's size and position make it pivotal to any security arrangements in central Europe; but history and the constitution constrain the exercise of its new-found sovereignty. German participation is likely to be fullest, and most constructive, if it takes place in a larger frame, and one which is not essentially military; not Nato, therefore, but the European Community.

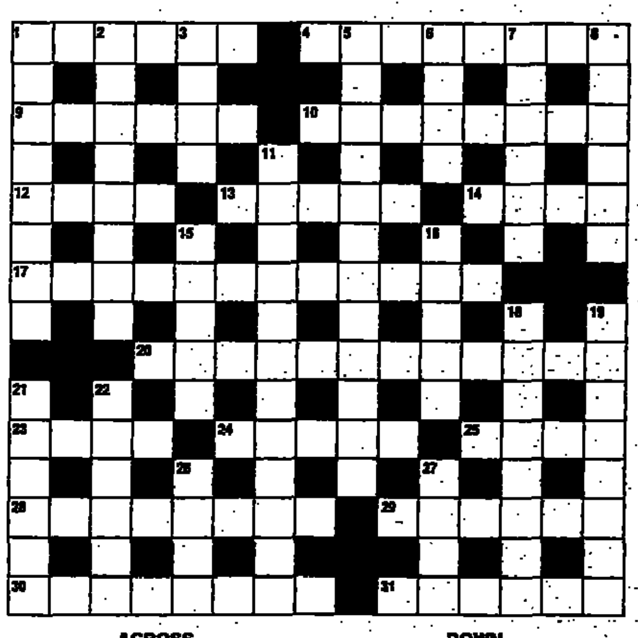
In other words, the US may be able to resolve the conundrum of its role in Europe, only if it accepts the full implications of Nato's irreversible decline, of Germany's sovereignty, and of the Community's ambitions for an independent future.

This would mean a broad-based treaty of co-operation of equal partners, between the US and the European Community. It may not be Washington's preferred solution; but it must be better than having childish rows with the French.

JOTTER PAD

CROSSWORD

No.7,891 Set by GRIFFIN



ACROSS
1 Master of ceremonies swallows wine gum (6)
4 Shame old Penny is requiring favour (8)
9 Even Doris hides the one that sells (6)
10 Cutting this can upset head gardener (8)
12 The first rissoles are undercooked (4)
13 Buyer to write to New York (5)
14 His new name for a cut of beef (4)
17 Orders article and German currency in notes (12)
20 I'd insert coin, foolishly revealing rashness (12)
23 Charge boy nothing to go in (4)
24 Way person put on weight (5)
25 Animal doctor gets round ban (4)
28 Plane in action lacking air? (8)
29 Herb said why shops changed round (6)
30 Careless friends rejected style (8)
31 Modest companion wants seat moved (6)

DOWN
1 Michael turned Vera into an unorthodox person (8)
2 Say "lacking a modern disorder and set of symptoms" (8)
3 Iris is not against press (4)
5 Drop in tin before it becomes white-hot (12)
6 Brought up good man to say bags (4)
7 A fair, lit up (6)
8 Needing heartless, extravagant car driver (6)
11 Senior teacher is nut lover (12)
15 Chase round a resort (5)
16 Further round, on the right (5)
18 Seasides curing ailments (8)
19 Disconnect pawnbroker; ring up internally (8)
21 Girl pleased with 50% of boys (6)
22 Travelling afar if seeking palm fibre (6)
26 Had to be outside back door of firm (4)
27 Part of Jeremy Thorpe's invented story (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday July 18.